



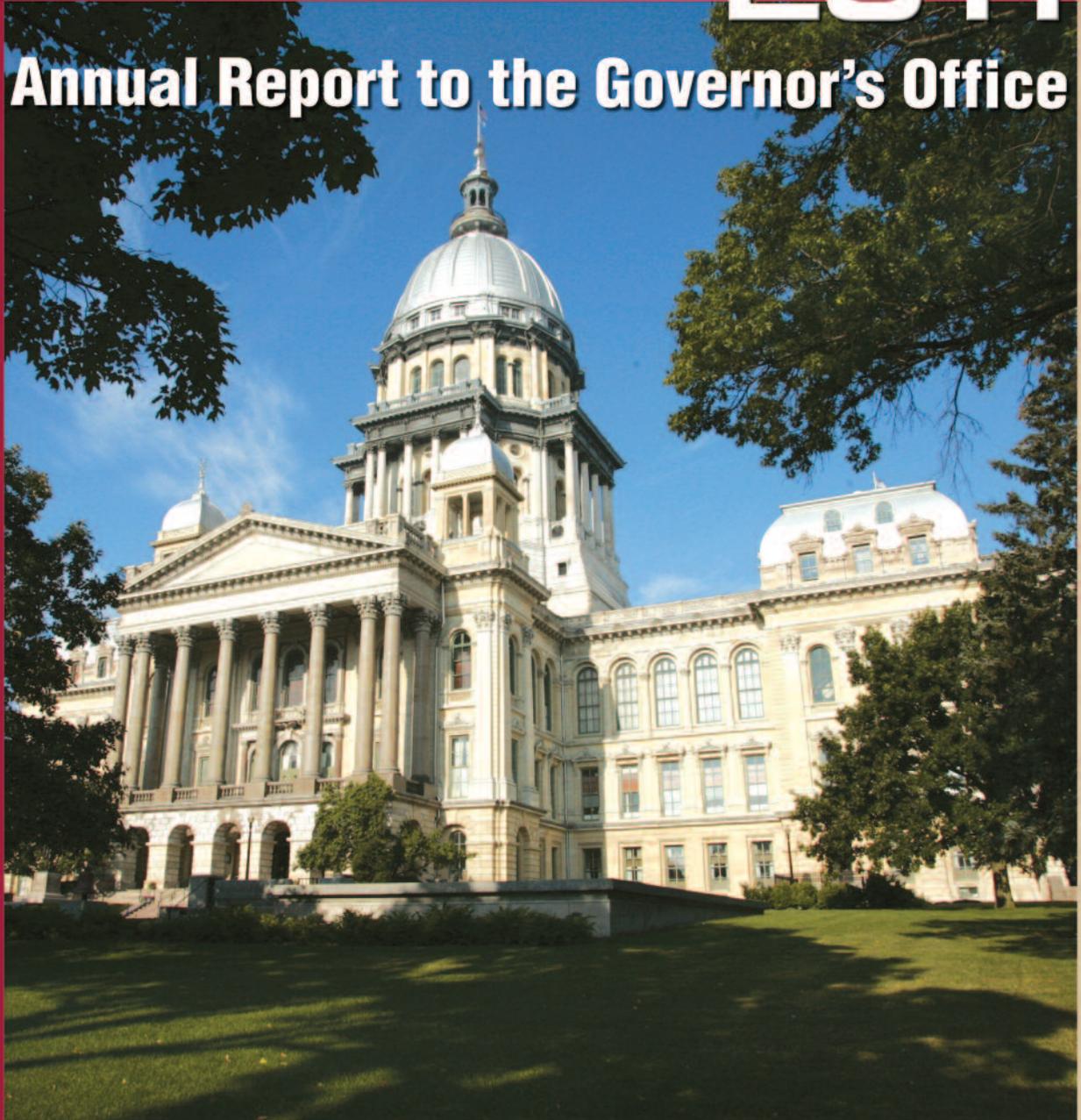
State of Illinois
Illinois Department of Insurance

DOI

Illinois Department of Insurance

2011

Annual Report to the Governor's Office



Pat Quinn
Governor

Andrew Boron
Director of Insurance



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

Honorable Pat Quinn
Governor
State of Illinois
Springfield, Illinois

Re: 2011 Annual Report – Department of Insurance

Dear Governor Quinn:

I am pleased to submit this annual Report for the Department of Insurance summarizing the activities and financial operations of the Department in 2011.

Highlights from 2011 include the implementation of legislation concerning Mental Health Parity that includes treatment of substance abuse and establishing the Health Benefit Exchange for Illinois and the institution of the grant process relating to the Exchange. The Department was instrumental in the passage of the overhaul of Worker's Compensation laws in Illinois and the expansion of the Health Carrier External Review Act which supplemented Illinois' existing external review process by adding consumer protections and allowing the independent review of rescissions and claim denials of insurers based upon preexisting condition.

In addition, Illinois was awarded additional grant monies for the Senior Health Insurance Program due to exceeding performance levels, the Department handled over 8800 individual consumer complaints and offered free one-on-one insurance counseling to storm and flood victims after Illinois experienced a large number of tornados, floods and high winds in 2011.

Based upon premiums written in 2011, Illinois is the fifth largest Property & Casualty insurance market and eighth largest Life, Accident, & Health insurance market in the United States. The Department strives to protect Illinois consumers through fair and professional regulation and by encouraging a competitive insurance market.

The following Report provides further details on the Department's operations highlighted above. I hereby submit the Annual Report for the Illinois Department of Insurance.

Respectfully submitted,

Andrew Boron
Director

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Directors of Insurance



Andrew Boron

2012–

<u>Robert E. Wagner (Acting)</u>	<u>2011–2012</u>
<u>Andrew R. Stolfi (Acting)</u>	<u>2011</u>
<u>Jack Messmore (Acting)</u>	<u>2011</u>
<u>Michael T. McRaith</u>	<u>2005–2011</u>
<u>Deirdre K. Manna (Acting)</u>	<u>2004–2005</u>
<u>J. Anthony Clark</u>	<u>2003–2004</u>
<u>Nathaniel S. Shapo</u>	<u>1999–2003</u>
<u>Arnold Dutcher (Acting)</u>	<u>1998–1999</u>
<u>Mark Boozell</u>	<u>1995–1998</u>
<u>James W. Schacht (Acting)</u>	<u>1994–1995</u>
<u>Stephen F. Selcke</u>	<u>1991–1994</u>
<u>James W. Schacht (Acting)</u>	<u>1991</u>
<u>Zack Stamp</u>	<u>1989–1991</u>
<u>John E. Washburn</u>	<u>1983–1989</u>
<u>James W. Schacht (Acting)</u>	<u>1982–1983</u>
<u>Philip R. O'Connor</u>	<u>1979–1982</u>
<u>Richard L. Mathias</u>	<u>1977–1979</u>
<u>Michael P. Duncan</u>	<u>1976–1977</u>

<u>Dennis W. Toivonen (Acting)</u>	<u>1976</u>
<u>Robert B. Wilcox</u>	<u>1974–1976</u>
<u>Fred A. Mauck</u>	<u>1973–1974</u>
<u>James Baylor</u>	<u>1969–1973</u>
<u>John E. Bolton, Jr.</u>	<u>1965–1969</u>
<u>Richard G. Hershey</u>	<u>1963–1965</u>
<u>Joseph S. Gerber</u>	<u>1957–1963</u>
<u>Justin T. McCarthy</u>	<u>1954–1957</u>
<u>Laddie T. Pelnar (Acting)</u>	<u>1954</u>
<u>Robert E. Barrett</u>	<u>1953–1954</u>
<u>J. Edward Day</u>	<u>1950–1953</u>
<u>Harry B. Hershey</u>	<u>1949–1950</u>
<u>N. P. Parkinson</u>	<u>1944–1949</u>
<u>Paul F. Jones</u>	<u>1941–1944</u>
<u>S. Hayden Davis</u>	<u>1940–1941</u>
<u>Ernest Palmer</u>	<u>1933–1940</u>
<u>Harry Hanson</u>	<u>1930–1933</u>
<u>George Huskinson</u>	<u>1927–1930</u>
<u>Alex Johnson</u>	<u>1923–1927</u>
<u>Thomas J. Houston</u>	<u>1921–1923</u>
<u>Fred W. Potter</u>	<u>1917–1921</u>
<u>Rufus Potts</u>	<u>1913–1917</u>
<u>Fred W. Potter</u>	<u>1907–1913</u>
<u>William R. Vredenburgh</u>	<u>1903–1907</u>
<u>Henry Yates</u>	<u>1901–1903</u>
<u>James R. Van Cleave</u>	<u>1897–1901</u>
<u>Bradford Durfee</u>	<u>1893–1897</u>

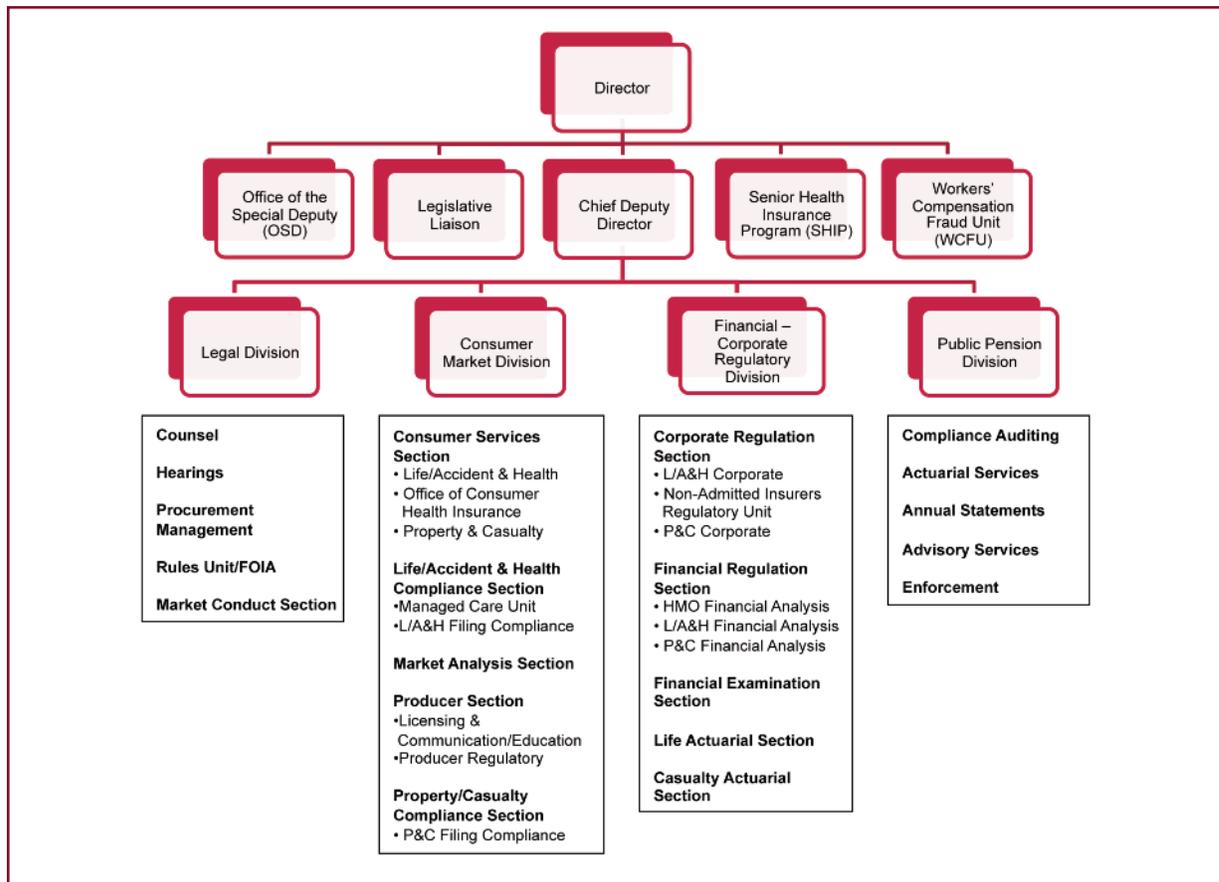
Mission and Functions

The mission of the Illinois Department of Insurance (Department) is:

To protect consumers by providing assistance and information, by efficiently regulating the insurance industry's market behavior and financial solvency, and by fostering a competitive insurance marketplace.

The Department carries out its mission through effective administration and enforcement of the Illinois Insurance Code (215 ILCS 5/1 et seq.), the Illinois Pension Code (40 ILCS 5/1-101 et seq.), related laws and regulations, including Title 50 of the Illinois Administrative Code. The Department has four major operating Divisions: Consumer Market, Financial-Corporate Regulatory, Legal, and Public Pension. The Department also sponsors the Senior Health Insurance Program and Workers' Compensation Fraud Unit, and the Director is responsible for the operations of the Office of the Special Deputy Receiver, which handles the affairs of insurance companies placed in rehabilitation, conservation or liquidation.

Department Organization



Administrative Services

The Administrative Section of the Department is responsible for all tax and fee operations, including the audit functions of all privilege tax, fire marshal tax, retaliatory tax, and surplus lines tax. Revenue collections for the fiscal year 2011 totaled \$411,791,848 of which \$317,870,853 was deposited into the General Revenue Fund. All Department operations are funded by various fees collected from insurance companies, insurance producers, and other related organizations. There is no appropriation received from the General Revenue Fund.

Department Staff

	2011	2010	2009
Consumer Market Division *	92	86	78
Financial/Corporate Regulatory Division	126	130	103
Public Pension Division	12	12	10
Legal Division **	27	15	13
Workers' Compensation Fraud Unit	1	1	0
Total	258	244	204

* Consumer Market Division staff count includes Senior Health Insurance Program (SHIP) staffs.

** Market Conduct Section was reorganized from the Consumer Market Division to the Legal Division in 2011.

Securities Deposited by Insurance Companies for Fiscal Year 2011

Company Type	Number of Companies	Dollar Amounts
Domestic Stock Life	53	117,899,000
(Special Policy Fund)	2	630,000
Domestic Mutual Life	5	9,725,000
Domestic Assessment Life	1	310,000
Domestic Stock Property & Casualty	177	390,577,000
Domestic Mutual Property & Casualty	15	36,107,000
Domestic Inter-Insurance Exchange	2	3,930,000
Burials	1	15,000
Bond Certificates	22	1,094,000
Health Maintenance Organizations	23	22,150,000
Limited Health Service Organizations	7	915,000
Total:	308	583,352,000

Foreign Workers Compensation	58	169,073,000
Foreign & Alien	23	53,510,000
Service Contract Providers	22	628,000
Mutual Trust Holding	4	6,250,000
Viatical Agreements	4	475,000
Total on Deposit June 30, 2011	419	813,288,000

Comparative Statement of Taxes & Fee Collected for Fiscal Year 2011

Taxes & Fees	FY2011	FY2010	% Changes
1st Quarter Privilege Tax	34,753,001.80	32,379,306.55	7.33%
2nd Quarter Privilege Tax	38,358,099.80	39,229,917.56	-2.22%
3rd Quarter Privilege Tax	39,670,120.69	39,392,835.16	0.70%
4th Quarter Privilege Tax	41,757,344.12	40,112,810.73	4.10%
1st Quarter Retaliatory Tax	19,050,870.71	18,799,370.38	1.34%
2nd Quarter Retaliatory Tax	24,337,306.58	25,140,277.17	-3.19%
3rd Quarter Retaliatory Tax	28,269,104.08	24,558,212.58	15.11%
4th Quarter Retaliatory Tax	29,045,835.27	26,754,810.27	8.56%
Final Privilege Tax	20,688,101.26	25,117,181.54	-17.63%
Final Retaliatory Tax	7,273,588.06	9,770,565.82	-25.56%
Surplus Line Tax	33,649,576.58	38,565,507.38	-12.75%
Group Privilege Tax	32,966.43	40,627.69	-18.86%
Fines & Penalties	809,061.03	1,266,059.60	-36.10%
Interest	175,212.87	1,492,426.34	-88.26%
Miscellaneous	662.81	1,105.90	-40.07%
Subtotal for General Revenue Fund	317,870,852.09	322,621,014.67	-1.47%
Producer Licenses	22,205,830.71	21,572,247.20	2.94%
Producer Reinstatement Fee	233,410.00	388,290.00	-39.89%
Producer Appointment Fee	696,300.00	934,700.00	-25.51%
Producer Provider Education	450,370.00	475,910.00	-5.37%
Producer Market Conduct Exams	835,876.00	662,979.00	26.08%
Producer Fines and Penalties	581,890.00	0.00	N/A
Producer Miscellaneous	20,529.69	98,849.79	-79.23%
Subtotal for Insurance Producer Fund	25,024,206.40	24,132,975.99	3.69%

Fire Marshal Tax (Company)	21,458,900.10	20,904,276.86	2.65%
Fire Marshal Tax (Surplus Lines)	1,219,244.17	1,303,408.58	-6.46%
Subtotal for Fire Prevention Fund	22,678,144.27	22,207,685.44	2.12%
L/A&H:			
Annual Statement Filing Fee	116,150.00	117,900.00	-1.48%
Corporate Documents	98,373.00	98,590.00	-0.22%
Certificate Fees	131,380.00	142,165.00	-7.59%
Policy Form Filings	381,750.00	369,952.00	3.19%
Fines and Penalties	134.52	0.00	N/A
Miscellaneous	21,643.00	20,228.00	7.00%
Domestic Financial Regulation Fee	1,515,450.00	2,994,600.00	-49.39%
Foreign Financial Regulation Fee	4,063,350.00	5,153,550.00	-21.15%
L/A&H subtotal	6,328,230.52	8,896,985.00	-28.87%
P&C:			
Cost Containment	1,411,474.00	1,340,091.00	5.33%
Annual Statement Filing Fee	228,400.00	225,000.00	1.51%
Surplus Lines Licenses	618,500.00	614,600.00	0.63%
Corporate Documents	260,100.00	279,750.00	-7.02%
Certificate Fees	278,798.00	289,249.00	-3.61%
Policy Form Filings	2,338,150.00	2,141,350.00	9.19%
Fines and Penalties	5,610.54	0.00	N/A
RCPT, etc.	1,550.00	900.00	72.22%
Miscellaneous	24,682.30	15,835.40	55.87%
Domestic Financial Regulation Fee	3,481,900.00	5,016,850.00	-30.60%
Foreign Financial Regulation Fee	5,511,250.00	7,279,800.00	-24.29%
Financial Exam Travel	13,149.65	26,989.18	-51.28%
P&C subtotal	14,173,564.49	17,230,414.58	-17.74%
Subtotal for Insurance Financial Regulation Fund	20,501,795.01	26,127,399.58	-21.53%
Public Pension Fees	1,751,452.24	1,563,707.88	12.01%
Public Pension Fines	81,323.85	359.10	22546.57%
Subtotal for Public Pension Fund	1,832,776.09	1,564,066.98	17.18%

W.C. Pool Insolvency	148,083.66	138,882.37	6.63%
W.C. Industry Commission Surcharge	23,735,990.79	26,229,233.69	-9.51%
Subtotal for W.C. Pool Fund	23,884,074.45	26,368,116.06	-9.42%
State Trust Fund	0.00	0.00	NA
Total for All Funds	411,791,848.31	423,021,258.72	-2.65%

Appropriations and Disbursements for Fiscal Year 2011

General Revenue Fund

The Department no longer receives or disburses monies from the General Revenue Fund.

Public Pension Regulation Fund

Standard Accounts:	Appropriations	Reserve	Disbursements	Unexpended Appropriation
Personal Services	\$680,000	\$0	\$634,364	\$45,636
Retirement	206,000	0	186,093	\$19,907
Social Security	52,500	0	46,906	\$5,594
Group Insurance	145,000	0	143,667	\$1,333
Contractual	12,600	0	1,835	\$10,765
Travel	50,000	0	42,303	\$7,697
Printing	10,500	0	1,702	\$8,798
Equipment	15,300	0	0	\$15,300
Telecommunications	9,200	0	0	\$9,200
Operations Lump Sum	557,000	0	224,005	\$332,995
Total	\$1,738,100	\$0	\$1,280,875	\$457,225

Insurance Producers Administration Fund

Standard Accounts:	Appropriations	Reserve	Disbursements	Unexpended Appropriation
Personal Services	\$6,961,200	\$0	\$6,791,304	\$169,896
Retirement	2,106,000	1,903,448	\$202,552	
Social Security	535,700	0	501,688	\$34,012
Group Insurance	1,667,500	0	1,563,124	\$104,376
Contractual	1,726,900	0	1,008,702	\$718,198
Travel	145,000	0	79,363	\$65,637

Commodities	23,400	0	13,992	\$9,408
Printing	34,800	0	13,299	\$21,501
Equipment	36,800	0	18,793	\$18,007
EDP	589,200	0	229,108	\$360,092
Telecommunications	203,900	0	112,467	\$91,433
Op. of Auto	9,300	0	4,079	\$5,221
Refunds	162,100	0	151,310	\$10,790
Shared Services Lump Sum	536,300	0	424,148	\$112,152
Operations Lump Sum	1,650,000	0	118	\$1,649,882
Total	\$16,388,100	\$0	\$12,814,943	\$3,573,157

Insurance Financial Regulation Fund

Standard Accounts:	Appropriations	Reserve	Disbursements	Unexpended Appropriation
Personal Services	\$8,677,400	\$0	\$8,447,346	\$230,054
Retirement	2,625,200	0	2,367,666	\$257,534
Social Security	664,200	0	620,441	\$43,759
Group Insurance	1,972,000	0	1,865,364	\$106,636
Contractual	1,851,900	0	884,245	\$967,655
Travel	300,000	0	85,392	\$214,608
Commodities	23,400	0	9,703	\$13,697
Printing	34,700	0	14,915	\$19,785
Equipment	35,700	0	30,301	\$5,399
EDP	589,200	0	230,089	\$359,111
Telecommunications	203,600	0	117,147	\$86,453
Op. of Auto	9,300	0	4,641	\$4,659
Refunds	50,000	0	180	\$49,820
Shared Services Lump Sum	567,000	0	238,705	\$328,295
Operations Lump Sum	1,650,000	0	1,451,305	\$198,695
Total	\$19,253,600	\$0	\$16,367,440	\$2,886,160

Combined Funds

Standard Accounts:	Appropriations	Reserve	Disbursements	Unexpended Appropriation
Personal Services	\$16,318,600	\$0	\$15,873,014	\$445,586
Retirement	\$4,937,200	0	4,457,207	\$479,993

Social Security	\$1,252,400	0	1,169,035	\$83,365
Group Insurance	\$3,784,500	0	3,572,155	\$212,345
Contractual	\$3,591,400	0	1,894,782	\$1,696,618
Travel	\$495,000	0	207,058	\$287,942
Commodities	46,800	0	23,695	\$23,105
Printing	80,000	0	29,916	\$50,084
Equipment	87,800	0	49,094	\$38,706
EDP	1,178,400	0	459,197	\$719,203
Telecommunications	416,700	0	229,614	\$187,086
Op. of Auto	18,600	0	8,720	\$9,880
Refunds	212,100	0	151,490	\$60,610
Shared Services Lump Sum	1,103,300	0	662,853	\$440,447
Operations Lump Sum	3,857,000	0	1,675,428	\$2,181,572
Total	\$37,379,800	\$0	\$30,463,258	\$6,916,542

Insurance Privilege Tax Refund Fund

Standard Accounts:	Appropriations	Disbursements
Refund	\$2,025,000	\$1,292,798
Total	\$2,025,000	\$1,292,798

Senior Health Insurance Program

Standard Accounts:	Appropriations	Disbursements
Federal Grants in Aid	\$2,272,600	\$2,272,600
Total	\$2,272,600	\$2,272,600

Worker's Compensation Commission - Insurance Fraud Operations Fund

Standard Accounts:	Appropriations	Disbursements
Lump Sum	\$485,000	\$376,911
Total	\$485,000	\$376,911

Group Self-Insured Workers' Compensation Pool Insolvency Fund

Standard Accounts:	Appropriations	Disbursements
Lump Sum	\$1,950,000	\$0
Total	\$1,950,000	\$0

Consumer Market Division

The Consumer Market Division is responsible for:

- overseeing the Department's consumer protection and education programs;
- licensing and regulating the activities of insurance producers; and
- monitoring the marketplace operations of insurance companies.

Consumer Services and Education Programs

During 2011, the Consumers Services Section continued providing assistance and education to Illinois consumers for all types of insurance including auto, health, homeowners and life. Numerous state and federal laws were enacted or revised in 2011 resulting in many questions from consumers, agents and health care providers.

Of particular note, effective August 26, 2011, the Health Carrier External Review Act (215 ILCS 134) by Public Act 97-0754 was amended. The amendments expand external review to include denials for pre-existing conditions, rescissions of health coverage, and additional reviews related to medical necessity and experimental/investigational denials. The new law, in abeyance with the federal Affordable Care Act (ACA), also requires external review requests be filed directly with the Department of Insurance, who in turn randomly assigns an Independent Review Organization (IRO), which is registered with the state, to conduct the review.

During 2011 the Office of Consumer Health Insurance (OCHI) staff received 264 calls inquiring about the State's new external review process. The Department closed 184 external review requests during the period of August 26, 2011, through December 31, 2011. Out of the 184 closed requests, 13 requests were overturned by the carrier prior to going to external review as a result of receiving additional information; 26 requests were incomplete requests; 56 requests were not eligible for external reviews; and 89 requests were sent for reviews. Of the 89 completed reviews, 23 adverse determinations were overturned, 64 adverse determinations were upheld and 2 adverse determinations were partially overturned.

Consumer fact sheets, which provide consumers with information regarding numerous insurance topics, are available on the Department's website at http://insurance.illinois.gov/Main/Consumer_Facts.asp.

The Department provides a toll-free consumer assistance hotline that enables consumers to easily reach Consumer Services Section analysts with questions or complaints about their insurance companies. The Consumer Services Section monitors the Director's email address that is available on the Department's website for visitors to ask various insurance related questions. The Consumer Services Section utilizes an electronic system for assigning and responding to inquiries received by the Director's email. The Consumer Services Section responded to approximately 1,097 of those inquiries.

Closed Consumer Complaints by Reason

	2011		2010		2009	
	Insurance Companies	HMO's	Insurance Companies	HMO's	Insurance Companies	HMO's
Underwriting	1,224	19	1,199	20	907	15
Marketing and Sales	254	3	195	2	188	3
Claim Handling	5,176	312	5,605	319	5,797	400
Policyholder Service	510	9	578	13	991	19
Subtotal	7,164	343	7,577	354	7,883	437
All Other	1,438		1,937		2,074	
Total Complaints:	8,945		9,868		10,394	

Closed Consumer Complaints by Line of Coverage

	2011	2010	2009
Auto	2,272	2,220	2,449
Group A&H	1,826	2,353	2,855
Individual A&H	696	776	720
Homeowners	1,225	1,184	980
Individual Life	513	619	509
Individual Annuity	74	82	94
Group Credit A&H	8	5	12
HMOs	343	354	437
All Other Coverage	550	338	264
Not Categorized	1,438	1,937	2,074
Total	8,945	9,868	10,394

The “All Other” complaints are not included in the official reconciliation figures. These complaints are excluded from reconciliation for various reasons such as contracts are written in other states, etc. The Department attempts to assist consumers in these situations even though the complaints are not officially counted.

The Consumer Services Section also handled 1,861 written inquiries. The Consumer Services Section responded to those inquiries by providing pertinent information to the consumer.

Life, Accident and Health (LAH) Compliance Section

The LAH Compliance Section is responsible for reviewing and approving all filings for life, annuity, disability, and health policies and for Health Maintenance Organizations (HMO), Limited Health Service Organizations (LHSO) and Voluntary Health Services Plans (VHSP). In addition, the Section handles HMO complaints, viatical settlement provider compliance, and the registration and renewal of Preferred Provider Program Administrators (PPA), and Utilization Review Organizations (URO) licensure applications.

LAH Product Filings

	2011	2010	2009
LAH forms approved	10,671	7,803*	4,115
LAH informational filings	1,091	1,573	1,294
LAH rate filings	523	226	402
HMO/LHSO/VHSP forms approved	560	71*	135
HMO/LHSO/VHSP informational filings	34	21	21
PPA applications approved/renewed	136	174	205
URO applications approved/renewed	74	72	83

*Correction for 2010 data.

Discounted Health Care Plans

There are approximately 200 registered Preferred Provider Program Administrators (PPAs) and Private Label Marketers operating in the State of Illinois. These entities offer a variety of health care service discounts, such as physician, hospital, chiropractic, vision, dental, and prescription drugs.

Illinois law generally requires discount plans to be registered as a Preferred Provider Program Administrator under the Health Care Reimbursement Act (Article XX1/2 of the Insurance, 215 ILCS 5/370f), although there are some exceptions. In order to address the number of fraudulent discount plans offered to Illinois consumers, the Department revised Part 2051 of the Illinois Administrative Code (50 Il Adm. Code 2051.320) by holding registered Preferred Provider Program Administrators responsible for providing the Department with a listing of any entity that may be Private Labeling their discount plan and ensuring that those entities act in accordance with the statutes and regulations set forth.

The Department encourages consumers considering this type of coverage to review the listing of registered entities on our website, <http://insurance.illinois.gov/Consumer/consumer.asp>, prior to purchasing any discount health care service program.

Illinois Pre-Existing Condition Insurance Plan (IPXP)

The program was established with the passage of the Patient Protection and Affordable Care Act on March 23, 2010. IPXP is a federally-funded health insurance program for uninsured Illinois residents with a preexisting medical condition. To be eligible, you must have been uninsured for at least six months and have a preexisting condition that disqualifies you from obtaining other health insurance. The IPXP covers preexisting conditions and a broad range of health benefits including preventive care, primary and specialty care, hospital care and prescription drugs. Enrollees are required to pay a premium and out-of-pocket costs.

Consumer Outreach Activities

	Number of Activities	Estimated Impact
High School Presentations	292	8,750 students
Radio Shows	101	2,600,000 listeners
Rapid Response Meetings	36	2,060 employees
Senior Centers, Retiree Presentations, and Health Fairs	24	2,050 audiences

During the year 2011, the Office of Consumer Health Insurance (OCHI) received 19,612 calls. The three most frequently addressed topics were: claims issues which totaled 3,716; individual health questions which totaled 2,365; and questions about continuation coverage under the federal COBRA law and the state law which totaled 1,979.

In January 2002, the Uninsured Ombudsman Program (Ombudsman) was established within OCHI to educate uninsured Illinois residents about health insurance options and benefits, including an explanation of rights guaranteed by state and federal law. The Ombudsman also informs uninsured and underinsured consumers about available low-cost or subsidized medical services.

Since its inception, the Ombudsman staff has worked with various state and local agencies to build a database of local resources that provide medical services to the uninsured and underinsured populations. Information in the database includes resources for medical, dental, mental health, prescription drug, vision, and other available health care services by county and city.

For calendar year 2011, the Ombudsman staff provided county specific health resource information to 1,204 inquirers. Additionally, the Ombudsman staff referred 1,023 callers to the Comprehensive Health Insurance Plan and 490 callers to the Illinois Pre-Existing Plan (IPXP), the two high risk plans available to Illinois residents.

As in previous years, calls came from the uninsured, individuals, and organizations providing assistance to the uninsured. These included other state agencies, legislators, insurance agents, radio stations, and families. The Ombudsman staff continues to heighten the program's public profile by regularly participating on radio talk shows and pre-layoff workshops for dislocated workers.

As in previous years, the Ombudsman staff actively participated on the Rapid Response Team for Dislocated Workers. At meetings organized by the team, members from various agencies answered dislocated workers' questions and provided the most current information about local resources and services. The Ombudsman staff provided: critical information about continuation rights available through the employer group health insurance plan; tips on how to shop for health insurance; information regarding special enrollment rights under HIPAA (e.g., HIPAA allows dislocated workers to enroll on a spouse's employer group health plan); and the Department's contact information in case the dislocated worker needs further assistance.

Consumer Assistance and Patient Protection (CAP) Grant under the federal Affordable Care Act (ACA)

The Department of Insurance was awarded the Consumer Assistance and Patient Protection Project (CAP) in the amount of \$1,454,594 by the Department of Health and Human Services in October 2010. The CAP Grants program provides new resources to help states and territories establish or strengthen consumer assistance programs. The Department received a no-cost extension which expires on October 15, 2012. In 2011, the Department utilized grant funds to

engage an external, independent professional to evaluate the effectiveness of the Department's consumer assistance activities, to conduct an audit of the Department's privacy and security standards with respect to personally identifiable consumer information, to access existing levels of awareness and utilization of consumer assistance services offered through the Department and to assess the Department's website. The consultant's report was finalized in June 2011 and the Department has begun the process of implementing recommendations from the report, notably updating the phone system, the call tracking databases, the complaint database and creating a new Consumer Assistance Portal on the Department's website.

Insurance Issues

Review Standards for New and Renewal Health Rates: Pursuant to Section 2794 of the Public Health Service Act, added by Section 1003 of the Federal Patient Protection and Affordable Care Act (PPACA), Pub. L. 111-148, the Department of Insurance has established a premium reporting and review process. The Department created a standardized Actuarial Memorandum and Justification Review document and a Rate Data Collection form as well as established the Illinois Web Portal - Rate Data Collection and Rate Filing Actuarial Memorandum and Justification Review Standards, which permits carriers to submit their rate data directly to the Department through the Rate Web Portal.

Accident and Health Expense Reporting [215 ILCS 5/359c]: Effective January 1, 2011, all carriers providing group or individual major medical insurance are required to provide the Department of Insurance a semi-annual statement detailing premium revenues, claims and other costs with respect to the carrier's accident and health insurance business. The Department of Insurance created the Accident and Health Expense Report for carriers to report.

The Religious Freedom Protection and Civil Union Act ("The Act"): The Act became effective on June 1, 2011, and the Department of Insurance provided guidance to all insurers regarding compliance with this Act. The Act provides that the parties to a civil union are entitled to the same legal obligations, responsibilities, protections and benefits that are afforded or recognized by the laws of Illinois to spouses. The law further provides that a party to a civil union shall be included in any definition or use of the terms "spouse," "family," "immediate family," "dependent," "next of kin," and other terms descriptive of spousal relationships as those terms are used throughout Illinois law. This includes the terms "marriage" or "married." or variations thereon. If policies of insurance provide coverage for children, the children of civil unions must also be provided coverage. The Act also requires recognition of civil unions or same sex civil unions or marriages legally entered into in other jurisdictions.

Annuity Suitability Transactions [50 IAC 3120]: Effective September 26, 2011, the administrative regulation concerning annuity suitability revises certain suitability and supervisory standards for insurance producers and insurers when making recommendations for the purchase or exchange of annuities to Illinois consumers. The amendments also adopt producer training requirements so that producers selling annuities may be held accountable for their part in complying with the revised standards. The new training provisions allow producers, who hold a life insurance line of authority and desire to sell annuities, until July 1, 2012, to complete the requirements. Since producers must first learn the revised suitability standards before they can be supervised for compliance, the training and supervisory functions are interdependent. In view of this relationship, the Department believes that it is implicit in the regulation that the insurer supervisory requirements contained in the regulation also become operative on July 1, 2012.

Nonparticipating Facility-Based Physicians and Providers: Effective June 1, 2011, Public Act 096-1523 (Nonparticipating facility-based physicians and providers) is effective; allowing insurers, health plans and nonparticipating facility-based physicians or providers to initiate binding arbitration to determine payment for covered services. Under Section 356z.3a of the Illinois Insurance Code (215 ILCS 5/356z.3a), nonparticipating facility-based radiologists, anesthesiologists, pathologists, neonatologists and emergency department providers, as well as insurers and health plans, may request binding arbitration if attempts to negotiate reimbursement for covered services rendered fail. If a party initiates binding arbitration as provided for under this Section, the non-initiating party is required to participate. The ability to exercise the rights set forth within this Section applies to all policies or contracts issued, renewed or modified on or after June 1, 2011, the effective date of the Act.

Mental Health Parity (Public Act 97-0437): Effective August 18, 2011, Illinois general assembly passed legislation that amends insurance and HMO acts. The new law adds substance use disorder as required coverage under the mental health laws. The law adds parity provisions (previously in place under federal law) which prohibit more restrictive requirements, treatment limitations, annual limits and lifetime limits for mental illness or substance use disorders than those applied to substantially all other hospital and medical benefits covered under a policy. The law applies to group policies and contracts of 51 or more employees and individual and group HMO contracts.

Property and Casualty (P&C) Compliance Section

The P&C Compliance Section is responsible for the review of all commercial lines coverage forms and rates that are required to be filed for compliance with Illinois Statutes and

Regulations. Additionally, the P&C Compliance Section is responsible for the review of all personal lines coverage forms and rates that are required to be filed for compliance with Illinois Statutes and Regulations.

The Department continues to work on initiatives aimed at moving accepted products to market as quickly as possible.

P&C Product Filings

	2011	2010	2009
P&C forms reviewed	45,982	47,491	44,773
P&C rate filings reviewed	3,976	3,947	3,785

Producer Licensing & Regulation

The Licensing Area is responsible for developing and administering licensing examinations required of prospective insurance producers and public adjusters. This responsibility is performed through a test administrator, which has established test sites throughout the state. The examinations are given by computer and electronically graded immediately upon completion. Most licensing applications are processed almost completely on-line, resulting in a cost savings for the Department and a faster licensing service to insurance agents.

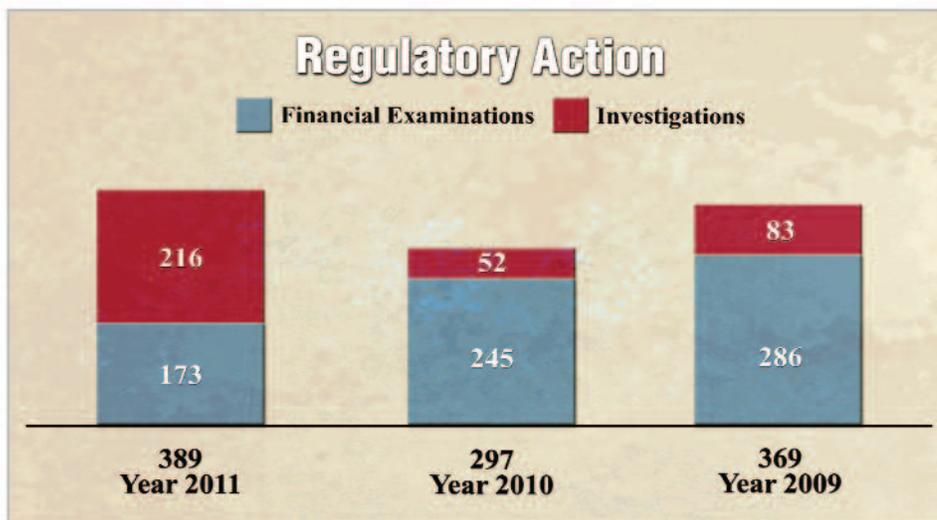
Licenses Issued

	2011	2010	2009
Producer Licenses	173,968	170,410	171,367
Business Entities' Licenses	14,833	14,625	14,473
Examinations*	25,783*	25,401*	18,229
Temporary Licenses	1,313	2,260	2,940
Limited Representative Licenses	8,687	10,003	11,357
Premium Finance Licenses	234	250	360
Public Adjuster Licenses	488	336	415
Third Party Administrators	477	462	457
Certification/Clearances	805	942	1,033
Education Providers	305	354	241
Course Approvals	4,684	6,686	5,647

* 2011 and 2010 examination numbers include failed exams as well as passed exams.

Regulatory Actions

The Producer Regulatory Unit conducts fiduciary financial examinations of licensed insurance producers, limited representatives, business entities, public adjusters, and other licensed entities. The Regulatory Unit also investigates complaints related to their marketing activities and methods. Such examinations and investigations may result in the issuance of a Director's Order to the licensed individual or entity. The Director of Insurance may assess civil penalties based on violations of the insurance code or regulations.



	2011	2010	2009
Civil Penalties:			
Amount Assessed	\$915,800	Not Available	Not Available
Amount Paid	\$224,000	\$356,600	\$135,573

Market Analysis Section

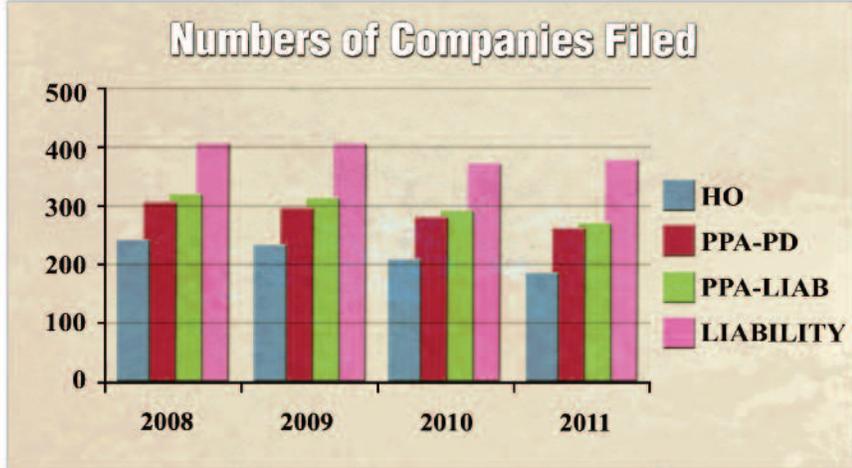
The Market Analysis Section is responsible for monitoring the health and competitiveness of the various insurance markets within Illinois. Through this monitoring, the Section works to quickly identify potential issues that may adversely affect Illinois consumers.

The Section is responsible for collecting a significant amount of insurance related data from insurers and statistical organizations throughout the year. The accuracy and consistency of this data is confirmed through various statistical examinations and audit processes. Utilizing this data as well as other sources, the Department annually produces a number of reports related to various aspects of the insurance markets within Illinois.

Cost Containment Data Call & Report:

The Cost Containment Act (215 ILCS 5/1200) statutorily requires the collection of a significant amount of data and the creation of an annual report on the current conditions of the property and casualty markets within Illinois. This data call is the largest single data call completed by the Section. It currently collects 121 different data elements related to premiums, losses, and policy exposure from property & casualty insurers licensed in the state of Illinois. Significant amounts of this data are collected on a zip code basis, allowing the Department to monitor insurance conditions on a local and regional basis.

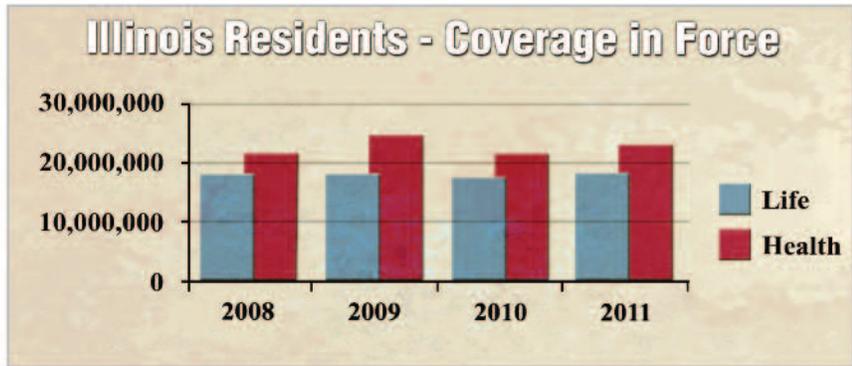
The following graph identifies the number of insurers that have filed data in each of the four areas; homeowners & residential fire, private passenger physical damage, private passenger liability, and other liability coverage over the past four years. Complete details and filing instructions for this data call are available at: http://insurance.illinois.gov/regulatory_filings/regulatory_filings.asp



The Cost Containment data is the primary source of data for the Annual Report to the General Assembly. This report examines the current market conditions and availability of various property & casualty markets within the state of Illinois. All annual reports are available for public viewing at: http://insurance.illinois.gov/Reports/Report_Links.asp.

Policy in Force Data Call:

The Policy in Force data examines the overall policy exposure within the Illinois Life & Health insurance markets. All companies authorized to write life and/or health coverages pursuant to Section 5/4 of the Illinois Insurance Code (215 ILCS 5/4) are required to comply with this data call. The data call currently collects policy counts on over 80 different types of life and health insurance in eight coverage types. The following graph shows the total number of Illinois residents with life or health coverage of some type for the past four years. This does not include individuals covered by managed care providers or self insured arrangements.



Market Conduct Annual Statement:

All insurers licensed to write life & health and property casualty insurance in the state of Illinois are subject to the Market Conduct Annual Statement (MCAS) data call. Each insurer electronically submits detailed statistics on the number of policies issued, replaced, surrendered, and claims paid during the survey period. This data is used to determine industry averages for various market related activities. Comparing company specific data to the industrial averages allows the Department to monitor and identify companies with ratios outside acceptable levels. Industrial average's for all prior years are available at: http://insurance.illinois.gov/Reports/Report_Links.asp.

Consumer Complaint Reports:

The Consumer Complaint Reports are published annually on the Department website. These reports provide statistics on complaints made by Illinois consumers and investigated by the Department. In order to publish as accurate information as possible, the Section verifies the accuracy of complaint data with each insurer and managed care provider prior to releasing the report. Consumer Complaint Reports are viewable at: http://insurance.illinois.gov/Reports/Report_Links.asp.

The Section also processes numerous requests for specific complaint reports from consumers and other department staff regarding company specific complaint information.

Numbers of Reconciled Companies

	2011	2010
HMOs	22	20
LAH	100	118
PC	116	101
Total	238	239

Workers' Compensation:

Revisions to the Workers' Compensation Act (820 ILCS 305/29) (the Act) in 2011 mandated the collection of data from all insurers currently writing workers' compensation insurance, insurers participating in the workers' compensation pool, and various statistical agencies. The initial data collection as defined in the Act will be collected in 2012. A summary of the initial data will be available on the Department's website as soon as it available.

Senior Health Insurance Program (SHIP)

The Senior Health Insurance Program (SHIP) is a free counseling and advocacy program for Medicare beneficiaries of any age, their families, or caregivers who have questions or problems with health insurance issues. SHIP counselors in local sponsoring agencies are trained to answer questions on Medicare, Medicare supplement insurance, Medicare Advantage health plans, long-term care insurance, and prescription drug coverage. SHIP provides ongoing continuing education sessions for the existing network of volunteer counselors across Illinois.

During 2011, SHIP staff and SHIP volunteer counselors met personally with over 139,200 people on Medicare. Another 25,140 people were assisted directly via 1,381 public presentations, health fairs and other local events. Additionally, SHIP reached over three million Medicare beneficiaries, their caregivers, advocates and providers through cable television, radio, and/or website events focusing primarily on Medicare's Annual Election Period and Prescription Drug Coverage.

SHIP partners with over 65 other agencies in the federal, state and private sectors to reach senior and disabled Medicare beneficiaries in Illinois. SHIP has several bilingual education specialists and counselors who provided front-line assistance and conducted several public presentations to Spanish-speaking senior groups and other interested parties concentrating on issues related to Medicare Part D prescription drug coverage and the Medicare Savings Programs.

SHIP continued to sub-grant funding to local SHIP-affiliated organizations in local communities throughout the state to enhance the quality of their local counseling efforts. Through the grants, counselors were able to become better equipped to enroll beneficiaries and monitor changes in the Medicare Part D and Medicare Advantage Plans through mobile technologies such as laptops with printers and wireless internet services.

SHIP is funded in part by a federal grant from HHS/CMMS and in part by the Producer Fund. SHIP exists within the Department pursuant to 20 ILCS 1405/1404-15 Senior Citizen Assistance and Information Program.

SHIP Activities

	2011	2010
Volunteer hours	95,020	58,126
Number of beneficiaries served	139,200	72,095
Educational presentations	864	545
Toll-free hotline calls	26,810	32,125

Workers' Compensation Fraud Unit

In 2005, the General Assembly passed House Bill 2137, which would become Public Act 94-277, would later be codified as Section 25.5 of the Illinois Workers' Compensation Act (Act) (820 ILCS 305/25.5). This legislation established in Illinois, for the first time, a statute devoted specifically to criminalizing and combating workers' compensation fraud.

The 2005 legislation introduced two anti-fraud reforms. First, the Act created a number criminal offenses related to workers' compensation. These offenses generally included the filing of false claims, making material misstatements in order to obtain workers' compensation benefits, making misstatements regarding an employee's entitlement to benefits, preparing or providing false certificates of insurance, making misstatements in order obtain workers' compensation insurance at less than the proper rate, making misstatements regarding self-insured status, and making false statements to investigators in the course of an investigation regarding fraud or insurance non-compliance. Second, the new legislation required the Illinois Department of Insurance (Department) to create an investigative unit, the Workers' Compensation Fraud Unit (WCFU). The WCFU is charged with examining allegations of workers' compensation fraud and insurance non-compliance.

In 2011, the General Assembly passed House Bill 1698, which would become Public Act 97-18. The 2011 amendments to Section 25.5 of the Act provided the WCFU with additional tools to combat worker's compensation fraud and a new offense aimed at medical providers who bill for medical services that are not provided.

The primary responsibility of the WCFU is to conduct investigations and refer worthy cases for prosecution. To fulfill this task, WCFU investigators spend countless hours each year conducting field investigations, reviewing hours of surveillance footage, issuing numerous subpoenas, and reviewing insurance, payroll, medical, and other records.

In the past, some complainants (e.g., employers, insurers, employees) were confused about what kind of evidence the WCFU needed to successfully investigate an allegation of fraud. In 2011, the WCFU worked with state agencies, including the Department of Central Management Services and the Department of Corrections, to agree on guidelines for submitting complaints and to open lines of communication. Establishing working relationships with these, and other entities, has helped to clarify the type of information that is required to prove workers' compensation fraud.

In addition to the complaints and investigations, in 2011 the WCFU began an unprecedented investigation into workers' compensation claims filed by the Department of Corrections (DOC)

employees at Menard Correctional Center. That investigation has included the review of more than seven hundred (700) claims filed by the DOC, the Illinois Workers' Compensation Commission (IWCC), and the Illinois Department of Central Management Services (CMS) employees. Information on a number of those claims has been provided to the U.S. Attorney for the Southern District of Illinois.

The more information about the WCFU is available at the Department website: <http://insurance.illinois.gov/reports/WCAB/2012WCFUReport.pdf>.

Workers' Compensation Fraud Unit Activities

Number of Allegations of Fraud Received by the WCFU in 2011 by Source	2011
Referred by Insurance Companies	69
Referred by Employers	36
Reported by Concerned Individuals	15
Referred by Special Investigation Agencies	14
Referred by Attorneys	14
Referred by Employees Regarding Employers and Insurance Companies	13
Referred by the Illinois Dept. of Central Management Services	7
Referred by Medical Providers	4
Referred by the Illinois Workers' Compensation Commission	1
Total	173
Number of allegations investigated by the WCFU in 2011	48
Number of referrals made to the Office of the Illinois Attorney General and the various county State's Attorneys for prosecution in 2011	10
Number of prosecuted cases resulted in indictment in 2011	6

Financial - Corporate Regulatory Division

The Financial-Corporate Regulatory Division monitors the financial condition and reviews the corporate transactions of insurance companies and other insurance risk-bearing entities operating in Illinois.

Financial Regulation Section

The Financial Regulation Section is responsible for analyzing and monitoring the financial condition of insurance companies, health maintenance organizations, and other regulated insurance risk-bearing entities and intervening when potential problems are identified.

The Financial Regulation Section is responsible for oversight of the management operations of Illinois insurers because, by law, many financial transactions such as entering reinsurance agreements, paying dividends, and transacting business with affiliates require the prior approval of the Department.

There is no longer a requirement for foreign insurance companies to submit annual statements and quarterly statements or CPA audits. The Financial Regulation Section's emphasis on domestic insurance companies is consistent with NAIC guidelines.

The Financial Regulation Section works closely with several entities with distressed financial conditions. In these instances the Section must devote greater staff resources because a more continuous regulatory role is required. For these companies, staff has more contact with company personnel and company advisors in the form of face to face or teleconference meetings. Detailed review of expanded analytical data is often required by these situations. In many cases staff must also participate in national telephone conference calls with other insurance regulators.

The Financial Regulation Section representatives remain active on a limited basis at the national level in a number of NAIC initiatives including: Financial Regulation Standards, Financial Analysis, Emerging Accounting Issues, Statutory Accounting Principles, Insurance Holding Company, Risk Assessments and Valuation of Securities. Participation has been limited, in large part to conference calls, since sufficient staff has not been able to travel to the national and other meetings where significant discussion of these matters takes place.

Casualty Actuarial Section

The Casualty Actuarial Section's ongoing responsibilities include providing technical actuarial support to the financial and consumer market areas. The core actuarial analyses performed with respect to the financial solvency of insurance entities include reviewing Statements of Actuarial Opinion and analyzing workpapers supporting them, performing loss reserve analyses of Annual Statement loss data and participating in financial examinations of insurance companies. In conjunction with the Financial Examination Section, staff is conducting risk-focused examinations and incorporating workpapers into Teammate. Staff also evaluates the Actuarial Opinion Summary of all domestic property and casualty companies, performs technical analyses of reinsurance agreements for transfer of risk, evaluates all extraordinary dividend notifications and monitors carried asbestos and environmental reserve amounts.

In support of the consumer services area, actuarial staff reviews actuarial information supporting rate filings, such as that of the Illinois FAIR Plan, the Illinois Mine Subsidence Insurance Fund, the Illinois Automobile Insurance Plan, and the National Council on Compensation Insurance. Staff oversees the actuarial evaluation of all medical malpractice rate filings and provides significant technical assistance in the rate hearings pursuant to statute.

Staff remains responsible for monitoring medical malpractice historical data and the Illinois Medical Professional Liability Insurance Uniform Claims Reporting (IMPLIUCR) data submitted by companies. The Casualty Actuarial Section continues to oversee production of the Illinois Property and Casualty Insurance Market Share Report.

Staff continues to represent Illinois on a national level as well. The Casualty Actuarial Section participated in the NAIC Casualty Actuarial Task Force calls throughout the year. More specifically, staff assisted in updating the regulatory guidance for the actuarial opinion and report, which is included with the American Academy of Actuaries Practice Note on Statements of Actuarial Opinion. In addition to offering guidance for any new requirements, this document also addresses problems or concerns found in previous opinions and reports. Staff also assists with enhancing guidelines for the actuarial portion of risk-focused examinations.

Casualty Actuarial Section Reviews

	2011	2010
Domestic Statements of Actuarial Opinion	171	171
Domestic Actuarial Opinion Summaries	171	171
Financial Examinations	49	54
Asbestos and Environmental Reserve Amounts - domestic companies	16	12
Medical Malpractice Rate Filings	53	37
Medical Malpractice Rate Hearings	0	2
Reinsurance Risk Transfer	5	2
Extraordinary Dividend Evaluations*	21	NA

* 2011 is the first year this data was compiled

Life Actuarial Section

The Life Actuarial Section has financial and consumer related responsibilities. On the financial side reserve adequacy actuarial opinions and summary documents for every Illinois domestic are reviewed each year for regulatory compliance, and to assess for the risk of reserve understatement at a high level. More detailed analysis is done on related supporting work on a portion of financial exams each year. Actuarial planning memos produced by the Examination area for each financial examination are reviewed for areas of risk the Section is aware of through involvement with the NAIC or with the company between exams. Technical support is provided to the Financial Analysis and Examination areas, and inquiries related to emerging company and industry issues are responded to. For example, risk transfer on reinsurance treaties is a recurring area analyzed by Section actuaries. On the consumer side long term care and Medicare supplement filings are reviewed for compliance with Illinois rating laws and regulations. Beginning in 2011, major medical rate filings were reviewed for compliance with federal health reform legislation. Nontraditional or unique policy form filings, as well as actuarial facets of consumer complaints, are also reviewed by the Section.

Rate increases for long term care (LTC) insurance policies continued to be a major concern in 2011. As in previous years, companies with LTC insurance policies in force submitted a large number of rate increase requests for review by the Life Actuarial Section.

In September 2011, the Section began to review rate filings for comprehensive major medical insurance for compliance with requirements established by the Federal Affordable Care Act.

Results of these reviews are passed on to the Department of Health and Human Services, the federal agency that administers the requirements of the Affordable Care Act. Personnel in the Section continued to serve on two NAIC Committees that provide technical advice to the Department of Health and Human Services related to implementation of the rebate requirements contained in the Federal Affordable Care Act. The Life Actuarial Section also reviewed rate filings for credit life and credit disability insurance, and monitored compliance with the Small Employer Health Insurance Rating Act. The Life Actuarial Section assisted the Senior Health Insurance Program with conducting an annual survey of Medicare Supplement premium rates in Illinois. This information was incorporated into the 2011 Medicare Supplement Premium Comparison Guide. The Life Actuarial Section also worked with the Illinois Comprehensive Health Insurance Program on various actuarial-related issues.

The Section continues to participate on the National Association of Insurance Commissioner’s (NAIC) Separate Account Risk Working Group and continues to monitor the progress of the Life Actuarial Task Force in the development of principles based approaches to determining reserves. A principles based approach is significantly different from the traditional formula-based methods, and will therefore require considerable changes to the regulatory monitoring process.

The Life Actuarial Section was heavily involved in implementation of the Interstate Compact legislation. This legislation allows companies to submit certain life, annuity, and long term care policy forms to a central repository for a single review and approval. Once the policy forms are approved the companies may market the forms in all of the Interstate Compact member states (currently 41). We continue to be active participants in the working groups developing new standards (and modifying existing ones) to insure that this filing mechanism results in the best products for Illinois consumers.

Life Actuarial Reviews (Approximate)

	2011	2010
Actuarial Opinions:		
Valuation Law Compliance	76	75
Mortality Assumption Specific (X factors)	22	12
Equity Indexed Annuity & Equity Indexed Universal Life	8	6
CARVM for Variable Annuities Certifications*	8	NA
Risk Based Capital C-3 Certifications*	24	NA
Small Employer Group Health Compliance Certifications	42	45

Other:

Major Medical Rate Filings*	48	NA
Reserve Actuarial Memorandums *	10	NA
Medicare Supplement, Long Term Care, and Credit	258	321
A&H Claim Reserve Monitoring (Life, Fraternal, HMO)	10	11
Medicare Supplement Refund Calculations	98	100
Regulatory Asset Adequacy Issues Summaries	67	65
Policy Form Reviews *	300	NA

* 2011 is the first year this data was compiled

Financial Examination Section

Illinois law requires the examination of the financial condition of insurance companies domiciled in Illinois not less than once every five years. On-site financial examinations of companies provide for a detailed review of the Company's financial condition, compliance with Illinois laws and regulations, and the reliability of financial statements. The information obtained during an examination may be the basis for timely and appropriate regulatory action.

Under a national regulatory accreditation program administered by the NAIC, financial examinations of multi-state insurers must be adopted within 18 months of the end of the year being examined.

The Financial Examination Section utilizes the electronic work paper software known as "Teammate." This is the software used throughout most of the country by state insurance regulators that should increase the efficiency and effectiveness of examinations. The Financial Examination Section also utilizes four outside consultants/vendors to provide various levels of financial examination services to assist in the financial examination of Illinois domestic companies.

During 2011, the Financial Examination Section organized and presented two educational seminars, which provided up to 38 hours of continuing education credits for the Department's financial examination staff and staff from other Midwest state insurance agencies. These seminars provided information and instruction on such topics as, risk focused exams and actuarial responsibilities; enterprise risk management; Phase 3 versus Phase 5 testing; health care reform in

Illinois; SVO and Capital Markets; the risk matrix and prospective risks; IT risks on financial examinations; linking ERM to financial examinations. The paramount emphasis of these seminars is the risk assessment approach to planning and conducting risk focused examinations.

In addition to performing financial examinations, the Financial Examination Section annually values the life insurance in force of domestic companies. Reserve liabilities associated with these in-force amounts are certified as meeting applicable minimum standards. Fourteen of these valuations were completed during the year.

Financial Examinations Adopted

	Property & Casualty			Life, Accident & Health	
	2011	2010		2011	2010
Comprehensive	41	39	Comprehensive	11	16
Illinois Only	26	28	Illinois Only	2	3
Compliance/Target	7	4	Compliance/Target	5	0
Total	74	71	Total	18	19

Notes

1. Comprehensive represents financial examinations of Illinois domestic insurance companies/entities that are licensed to do business in more than one state.
2. Illinois only exams represent financial examinations of Illinois domestic insurance companies/entities that are licensed to do business only in the State of Illinois.
3. Compliance/Target exams represent organizational examinations of newly formed insurance companies/entities and increase in capital examinations, and loss reserve reviews.

Corporate Regulation Section

The Corporate Regulation Section is responsible for the incorporation, formation, licensing and registration of insurance entities and approval of other corporate transactions. In 2011, 613 life, accident and health and 1,177 property and casualty insurance companies were licensed in Illinois. Other registered entities include:

- 494 purchasing groups (organized to purchase commercial liability for the members);
- 115 foreign registered risk retention groups (insurance companies organized to write commercial liability insurance on behalf of their owner-members).

As of December 31, 2011, 594 resident and 859 non-resident surplus line producers were licensed. Those individuals may, under limited circumstances, negotiate insurance contracts with unauthorized insurers not protected by the Illinois Insurance Guaranty Fund. Pursuant to statutory authority, the Director has declared 114 unauthorized insurers ineligible for surplus lines producers use to date.

Although Illinois law prohibits individuals or organizations from sharing risk without authorization to transact the business of insurance, certain types of risk bearing entities are permitted by statute. At the end of 2011, the following were operating in Illinois:

- 9 religious and charitable risk pooling trusts;
- 9 group workers compensation pools;
- 23 service companies providing services to group workers compensation pools;
- 19 self-insured auto fleets;
- 41 reinsurance intermediaries; and
- 163 companies registered under the service contract act;
- 30 viatical settlement providers.

Licensed Property and Casualty Insurance Companies

	2011				2010			
	Domestic	Foreign	Alien	Total	Domestic	Foreign	Alien	Total
Stock	163	778	6	947	163	787	5	955
Stock Captive:								
Pure	1	0	0	1	1	0	0	1
Association	0	0	0	0	0	0	0	0
Industrial Insured	1	0	0	1	1	0	0	1
Stock Risk Retention Group	1	0	0	1	1	0	0	1
Stock Surplus Line	13	0	0	13	13	0	0	13
Mutual	15	75	0	90	15	77	0	92
Mutual Risk Retention Group	0	0	0	0	0	0	0	0
Reciprocal	2	19	0	21	2	18	0	20
Lloyd's	0	0	1	1	0	0	1	1
Farm Mutuals	66	0	0	66	71	0	0	71
Accredited Reinsurers	0	23	12	35	0	23	8	31
Mutual Holding Company	1	0	0	1	1	0	0	1
Total	263	895	19	1,177	268	905	14	1,187

Licensed Life, Accident and Health Insurance Companies

	2011				2010			
	Domestic	Foreign	Alien	Total	Domestic	Foreign	Alien	Total
Stock Legal Reserve Life	52	428	5	485	53	426	5	484
Mutual Legal Reserve Life	5	25	0	30	5	27	0	32
Assessment Legal Reserve Life	1	0	0	1	1	0	0	1
Mutual Benefit Association	0	0	0	0	0	0	0	0
Burial Societies	1	0	0	1	1	0	0	1
Fraternal Benefit Societies	13	42	1	56	13	45	1	59
Voluntary Health Service Plans	4	0	0	4	3	0	0	3
Vision Service Plan	0	0	0	0	0	0	0	0
Dental Service Plan	1	0	0	1	1	0	0	1
Health Maintenance Organizations	10	11	0	21	8	11	0	19
Limited Health Service Organizations	7	1	0	8	5	1	0	6
Accredited Reinsurer	0	3	0	3	0	3	0	3
Mutual Holding Company	3	0	0	3	3	0	0	3
Total	97	510	6	613	93	513	6	612

Public Pension Division

Under state law, the Department of Insurance Public Pension Division is designated as the regulator of the Illinois Pension Code (40 ILCS 5/1A). The Pension Code establishes laws regulating the operation of Public Pension Systems operating in Illinois. 670 funds operate under the Code, including 15 ‘large’ pension funds (SERS, TRS, IMRF, etc.) and 655 municipality-specific Downstate and Suburban Police and Fire Pension Funds.

The Public Pension Division’s responsibility is wide-ranging and includes:

- Subpoena power to conduct examinations and/or investigations of all funds established under the Code, including Police and Fire audits on a 3 year cycle;
- Collecting annual statement data from the funds and compiling it into a biennial report to the Governor and General Assembly;
- Furnishing actuarial services to the 655 Police and Fire Pension Funds, including the production of suggested municipal tax levies;
- Providing advisory services on Illinois Pension Code issues to pension trustees, fiduciaries, municipalities and participants from all funds; and
- Limited enforcement authority, including issuing notices of non-compliance, conducting hearings, and levying modest fines for failure to comply with the Illinois Pension Code.

During 2011, the Public Pension Division observed growth in the number of Public Pension Funds regulated and in the total number of annuitants covered by those funds during the past year. The Division also continued its focus on core functions including Illinois Pension Code compliance auditing, annual statement filings and providing advisory & actuarial services to the various pension funds.

The Division maintains records involving fund membership, trustees, asset size, and investment mix of all pension funds covered under the Pension Code. A total of 670 pension funds are currently regulated by the Division. Each fund is managed by a board of trustees that in aggregate total more than 3,250 trustee positions.

During the past year, aggregate pension system assets totalled \$136 billion. Despite employee and employer contributions during the period, this is nearly identical to the \$135.7 billion total from the previous biennial reporting period due to investment losses during the two year period.

The Illinois Pension Code covers more than 1 million total annuitants. Active participants exceed 620,000 while retirees, surviving spouses, and other beneficiaries receiving pension benefits total 409,000. In aggregate, the pension funds paid out retiree, disability, and survivor benefits of \$11.4 billion.

A major responsibility of the Division is to conduct compliance audits for all downstate Police and Fire pension funds. Pension fund audit complexity varies as pension fund membership counts can range from a handful of participants to more than 600 participants.

Pension Division compliance staff completed 112 exams during the past fiscal year. The examination process resulted in more than 800 findings being cited in finalized audits. Best practice recommendations were also included as non-material reportable items.

The Division receives annual statements from all public pension funds regulated under the Illinois Pension Code via our electronic filing system. Under Article 1 of the Illinois Pension Code, each system is required to file an annual statement on fund activity in a format prescribed by the Division.

The Division typically performs a yearly actuarial study based on pension fund annual report submissions and calculates tax levies for the 655 police and firefighter pension funds. This service was unavailable during 2011 as the Department worked to implement the requirements of Public Act 96-1495.

Effective January 1, 2011, Public Act 96-1495 contained sweeping reforms for Downstate Fire and Police Pension Funds. The new law establishes a second tier of benefits for new hires and requires that the Division utilize an Enrolled Actuary and mandates the use of new methodology in determining actuarial funding requirements for Article 3 and 4 funds.

The Division has implemented changes to its annual statement system to incorporate the Tier II requirement. We have hired Foster and Foster, and enrolled actuary consultant, to implement the necessary actuarial changes into our system and to review the recommended tax levies we issue to the Downstate and Suburban Police and Fire funds. The new system will be phased in beginning in September 2011.

Downstate and Suburban Police and Fire Trustees must complete 16 hours of trustee training each year. For first year trustees, a total of 32 hours of training is required. To assist with this requirement, the Division personnel spoke at 24 conferences and seminars during 2011 to disseminate information on the Pension Code and to provide training.

The Public Pension Division responded to a variety of requests to provide advisory services to Pension Funds and the General Assembly under the provisions of 40 ILCS 5/1A-106. Furnished services included:

- Responding to more than 150 letters requesting formal advisory opinions on questions arising from the operation of various pension funds;
- Handling more than 5,000 phone and e-mail inquiries, including inquiries from police and firefighter pension funds, investment fund managers, professional pension organizations, the general public, pension trustees and annuitants;
- Furnishing of pension fund actuarial information and calculations as requested for the Illinois General Assembly and the Commission on Government Forecasting and Accountability (COGFA);
- Calculating police pension portability and fire reciprocity costs along with answering questions regarding this benefit;
- Providing documentation in response to Freedom of Information (FOIA) requests;
- Assisting pension funds with benefit calculations for retiring members; and
- Facilitating the establishment of seven new pension funds by supplying impacted municipalities with real cost data for the creation of their future funds.

In the past year, The Division issued more than 20 notices of non-compliance to pension funds for failure to comply with requirements of the Illinois Pension Code. In response to a notice, the cited fund must take action within 30 days to correct the issue.

If the cited non-compliance is not corrected within the required timeframe or is contested by the fund, the Department schedules a compliance hearing before an Administrative Law Judge where fines can be levied for non-compliance. \$118,400 in fines were collected from pension funds for failure to comply with the Illinois Pension Code.

Legal Division

The Legal Division of the Illinois Department of Insurance remains busy throughout the year. In addition to the taskforce that is developing the programs and guidelines necessary to implement the President's Affordable Healthcare Act, the Department attorneys have also been working to maintain and support the insurance and pension regulatory framework.

Counsel has been involved with on-going investigations involving insurance companies that have attempted to improperly restrict the ability to assign health insurance benefits. This is extremely important in the current economic atmosphere, where so many families are struggling to maintain insurance coverage. This problem has been further exacerbated by the insurers' failure to enforce contractual rate provisions for claims covered under provider agreements. The Department has worked diligently to rectify this pattern of behavior throughout the State.

Another area that required the attention of Counsel during 2011 came with the passage of the Civil Union statute. In both the insurance industry, as well as the pension arena, many questions have arisen about how, in practical terms, the Civil Union Act should be implemented, with a result of compliance with the meaning and intent of the Act. This Act has had a substantial effect on the finances of many entities, including school districts and Pension Funds that had not anticipated the extended coverage in the previous actuarial calculations.

Illinois also took a close look at Worker's Compensation Reform. This required many hours of review and analysis by Counsel, regulators and investigator in the Department's Workers Compensation Fraud Investigation Unit. The new regulations give the Department's investigators a more solid basis for investigating and taking action against those who are actively involved in fraudulent behavior.

In the Producer arena, the Legal Division has worked with regulators to pinpoint and stop fraudulent behavior that harms the government, the employees and the citizens of Illinois. For example, in the Steven Weiner case, the Department successfully prosecuted the revocation of a license from an Illinois producer that bribed a mayor.

The Department also engaged in litigation known as, United States Liability Insurance Company et al. v. Illinois Department of Insurance, Case No. 2011 MR 00228, which involved various affiliate companies seeking relief from over \$5 million of Privilege and Retaliatory Taxes and related penalties and interest assessments.

The Legal Division continues to advise and assist the rest of the Department as we all work together to create a safer, stronger Illinois.

Legal Activities

	2011	2010	2009
Administrative Hearings Scheduled	78	133	102
Freedom of Information Act Requests Processed	521	526	328
Opinions Issued	214	199	196
Legislation	21	7	4
Regulatory Files Reviewed	300	327	319
Rules Adopted	8	19	11
Subpoenas	126	146	186
New Litigation	40	26	30

Market Conduct Section

In establishing a schedule of examinations, the Market Conduct Section evaluates information gleaned from insurer market conduct annual statements, specifically data regarding paid and denied claims, payment medians, and complaint ratios. Analysis of market conduct annual statement data enables the Department to prioritize companies for scheduling target examinations. Market analysis, including the review of consumer complaints, gives us the opportunity to respond more quickly to the ever-changing marketplace. The Department has also been examining insurers with a large market share but which have not been recently examined.

Market conduct staff continued to be active on various NAIC working groups designed to address uniformity in market conduct examinations with respect to data calls, examiner qualifications and examination procedures.

Completed Market Conduct Examinations

	2011	2010	2009	2008
Examinations	21	14	9	26
Corrective Orders Issued	5	13	9	22
Premium overcharges returned to Illinois policyholders	\$5,150	\$2,100	\$2	\$5,538
Additional claim payments made	\$80,356.71	\$4,142	\$24,161	\$123,845
Civil forfeitures levied (5 insurers)	\$327,000	\$637,326	\$135,000	\$458,000

Insurance Legislation

Following are the lists of insurance related bill signed in to law during 2011. Complete texts can be found at <http://www.ilga.gov/>.

Bill	Short Description	Public Act	Effective Date
HB 0144	PEN CD - DISSOLUTION OF FUNDS	PA097-0099	1/1/2012
HB 0179	LIBRARIES NEGLECT INSUR POLICIES	PA097-0101	1/1/2012
HB 0224	HEALTH CARRIER EXTERNAL REVIEW	PA097-0574	8/26/2011
HB 1128	INS CD - PUBLIC ADJUSTER EXAM	PA097-0207	7/28/2011
HB 1129	INSURANCE - ANNUAL STATEMENTS	PA097-0486	1/1/2012
HB 1191	INSURANCE - PATIENT CARE	PA097-0091	1/1/2012
HB 1193	INS CD - RECOUPMENT TIME LIMIT	PA097-0556	1/1/2012
HB 1284	PORTABLE ELECTRONICS INS ACT	PA097-0366	1/1/2012
HB 1287	INSURANCE - DISCLOSURE	PA097-0113	7/14/2011
HB 1378	INS CD - VOLUNTEER DRIVERS	PA097-0285	8/9/2011
HB 1530	INSURANCE - MENTAL HEALTH PARITY	PA097-0437	8/18/2011
HB 1698	WORKERS' COMP - REFORM	PA097-0018	6/28/2011
HB 1825	INS - CANCER-DRUG-CLINIC TRIAL	PA097-0198	1/1/2012
HB 1872	PEN CD - TRANSFER-ART 5 TO ART 3	PA097-0326	8/12/2011
HB 2249	REGULATION - INS CODE	PA097-0281	1/1/2012
HB 3034	HOME REPAIR - REBATE-CANCEL	PA097-0235	1/1/2012
HB 3039	INS CD - HEART DISEASE PREV	PA097-0282	8/9/2011
HB 3332	PEN CD - IMRF-CREDIT/INTEREST	PA097-0273	8/8/2011
HB 3358	INSURANCE - SUBJECTS OF ABUSE	PA097-0343	1/1/2012
HB 3405	CHIP - MEDICARE EFFECTIVE DATE	PA097-0346	8/12/2011
HB 3441	CHIP ACT - PLAN ADMINISTRATOR	PA097-0011	6/14/2011
HB 3462	CHIP - MINIMUM BENEFITS	PA097-0661	1/13/2012
HB 3813	PEN CD-LEAVE-LABOR ORG	PA097-0651	1/5/2012
SB 0152	INS CD - MANDATORY ARBITRATION	PA097-0513	1/1/2012
SB 0673	INS CD-TOBACCO USE CESSATION	PA097-0592	1/1/2012
SB 1278	PEN CD - ART 3-BENEFICIARY TRUST	PA097-0041	6/28/2011
SB 1361	AUTO THEFT PREVENTION - SUNSET	PA097-0141	7/14/2011
SB 1544	INS CD - FEES & CHARGES	PA097-0603	8/26/2011
SB 1553	INS CD - ACCIDENT STATEMENT	PA097-0524	1/1/2012
SB 1555	INS CD -HEALTH BENEFITS EXCHANGE	PA097-0142	7/14/2011
SB 1607	INS CD - SENIOR-MISREPRESENT	PA097-0527	8/23/2011
SB 1824	DISSOL - LIFE INS-MAINTENANCE	PA970-0608	1/1/2012

Insurance Rulemaking

50 Ill. Adm. Code 906, Illegal Groups and Unfair Rate Discrimination, effective April 25, 2011.

The Department repealed Part 906 due to both the expiration in 1971 of the Department's rating authority formerly set forth in Article XXX1/2 and titled Property And Casualty Rates Other Than Workers' (215 ILCS 5/472.1 through 215 ILCS 5/488.2) and due to subsequent enactments of various statutes in the group property and casualty area.

50 Ill. Adm. Code 911, Unearned Premium Reserve Computation, effective March 28, 2011. This Part was originally adopted in 1963, with subsequent formal codification into the Illinois Administrative Code in March of 1983. No further revisions to this Part were ever filed. In 1980, the accounting standard of practice was statutorily set by PA 81-735. Because Section 136 supersedes the requirements of this Part, the Department repealed this regulation.

50 Ill. Adm. Code 1103, Life Reinsurance Agreements, effective March 28, 2011.

Section 1103.50 was repealed effective in April of 2006; however, during the Department's subsequent NAIC Accreditation review, a deficiency was noted because the repeal of Section 1103.50 caused the Illinois reinsurance standards to be inconsistent with those of the NAIC. To correct this deficiency the Department reinstated Section 1103.50.

50 Ill. Adm. Code 1415, Minimum Standards For Determining Nonforfeiture Benefits For Certain Life Insurance Policies Having Intermediate Cash Benefits, effective July 18, 2011.

The intent of the Standard Nonforfeiture Law (215 ILCS 5/229.2) is to ensure that life insurance policies provide reasonable nonforfeiture benefits in the event the consumer decides to terminate the policy. A new category of life insurance has emerged offering an endowment benefit or a return of premium benefit prior to the coverage expiry date of the policy. The purpose of this regulation is to provide an interpretation of the Standard Nonforfeiture Law which results in reasonable nonforfeiture benefits for these policies.

50 Ill. Adm. Code 2030, Standard Health Applications, effective January 21, 2011.

The "Illinois Insurance Fairness Act" [Public Act 96-857] provides for the creation of standardized health insurance applications for use by all carriers offering health benefit plans in the individual and small group markets. As mandated by the Act, a Working Group was formed, and developed two standard health applications, one for employees of small businesses, and the other for individual and family health insurance coverage. The purpose of this new Rule is to implement the standard health applications created by the Working Group.

50 Ill. Adm. Code 3120, Suitability in Annuity Transactions, effective September 26, 2011. The rule was amended to conform with changes to the National Association of Insurance Commissioners' (NAIC) Suitability in Annuity Transactions Model Regulation that was modified in the first quarter of 2010. The changes are designed to strengthen the present regulation by holding insurers responsible for annuity suitability whether or not the insurer contracts with a third party to supervise or monitor the marketing and sale of annuities; require producer training on the provisions of annuities in general and the specific products they are selling; and make the suitability standards more consistent with the suitability standards imposed by the Financial Industry Regulatory Authority.

50 Ill. Adm. Code 4404, Portability of Creditable Service Time for Downstate and Suburban Police Pension Funds, effective January 24, 2011. Public Act 96-0297, effective August 11, 2009, allows police officers to take a reduction in time in lieu of paying an additional contribution to transfer creditable service time from one Article 3 pension fund to another Article 3 pension fund. This option was not previously offered and therefore had not been included in 50 Ill. Adm. Code 4404, which details the process of transferring creditable service time. The amendments provide a formula for calculating the reduced time to be credited to the current pension fund and instructions on additional information to be given to the police officer and to the Pension Division.

50 Ill. Adm. Code 5410, Mandatory Child Only Open Enrollment Period for Individual Market Carriers, effective March 28, 2011. The purpose of this new rule is to facilitate the implementation of certain provisions of the 2010 "Affordable Care Act" (ACA). The ACA provides that group and individual health insurance coverage may not impose pre-existing condition exclusions for children under age 19 for policy years beginning on or after September 23, 2010. This rule sets a standard open-enrollment period during which insurers will accept applications for the issuance of child-only (under-19) policies on the individual market. This rule also provides for certain "qualifying events", and requires that insurers accept applications within 30 days of these events. This rule also provides for disincentives and protections against lapses in coverage, risk dumping, and potential subscriber gaming.

Office of the Special Deputy Receiver (OSD)

Pursuant to provisions of Article XIII and XIII½ of the Illinois Insurance Code, the Director is appointed as statutory Conservator, Rehabilitator or Liquidator of a company in receivership.

The Director, through his Special Deputy, takes the following alternative courses of action, depending on the type of court order that is issued against a company:

1. Pursuant to an Order of Conservation, the Director takes possession of property, business and affairs of a company to protect the interests of policyholders and other creditors, and proceeds to ascertain the condition and situation of the company.
2. Pursuant to an Order of Rehabilitation, the Director is vested with title to all property, contracts and rights of action of the company. He proceeds to conduct the business of the company and to take appropriate steps, if possible, to remove the causes and conditions which made rehabilitation necessary.
3. Pursuant to an Order of Liquidation, the Director is also vested with title to all property, contracts and rights of action of the company. Upon entry of the court order, he proceeds immediately to liquidate the property, business and affairs of the company, to marshal assets, and to evaluate the claims asserted against the company in order to make a distribution of assets as soon as possible to policyholders and other creditors.

For Illinois domiciled or licensed insurers placed into liquidation, the Illinois Insurance Guaranty Fund, the Illinois Life and Health Insurance Guaranty Association, and the Illinois Health Maintenance Organization Guaranty Association are mandated by statute to respond to the covered claims up to certain statutory caps. Similar Funds and Associations exist in most other states for similar purposes. The claims of policyholders of unauthorized, illegal or unlicensed insurers are not generally afforded this protection.

OSD's mission is to maximize assets of estates under its management, fairly dispose of claims, and timely deliver assets to claimants. OSD achieved a great deal in 2011 to further that mission. These accomplishments are broken down into two large categories: OSD corporate accomplishments and estate-by-estate accomplishments. Of course, the OSD Corporation exists to service the estates, but it is helpful to distinguish corporate level accomplishments that benefit all estates, and estate-by-estate accomplishments that benefit particular estates.

For more information on OSD, please visit their website at <http://www.osdchi.org/>.

Surplus Lines Companies

The Surplus Line Association of Illinois receives countersigns and records all surplus line insurance contracts which are procured by its member surplus line producers. The following is a list of the unauthorized insurers and domestic surplus lines insurers from who licensed surplus line producers procure insurance. The total amount of premium for each company for calendar year 2011 is listed below.

Insurer Name	2011 Premium
ABA Seguros	\$ 216
Acceptance Indemnity Insurance Co	244,704
ACE Bermuda Insurance Ltd	505,638
ACE European Group Ltd	1,970,402
ACE Insurance Co Ltd	-55,384
ACE Seguros SA	29,197
Admiral Insurance Co	6,122,294
Adriatic Insurance Co	289,067
AIX Specialty Insurance Co	6,286,535
Allianz Global Corporate & Specialty AG	203,908
Allianz Underwriters Insurance Co	37,925
Allied World Assurance Co (US) Inc	9,602,960
Allied World Assurance Co Ltd	1,333,327
Alterra Excess & Surplus Insurance Co	6,108,654
Alterra Insurance Ltd	276,177
Alterra Reinsurance Europe Ltd	816,644
American Empire Surplus Lines Insurance Co	1,877,349
American Equity Insurance Co	1,411
American Modern Surplus Lines Insurance Co	3,593,490
American Safety Indemnity Co	9,795,466
American Safety Insurance Co	178,358
American Safety Risk Retention Group Inc	20,513
American Western Home Insurance Co	470,162
Amtrust International Underwriters Limited	19,720
ANA Compania De Seguros	14,387
Anglo American Insurance Co Ltd	0
Arch Excess & Surplus Insurance Co	77,944
Arch Insurance Company (Europe) Limited	581,858
Arch Specialty Insurance Co	12,063,941
Argo Re Ltd	239,130
Ariel Reinsurance Company LTD	8,474
Aspen Insurance UK Ltd	3,260,572
Aspen Specialty Insurance Co	4,490,834
Assicurazioni Generali SpA	327
Associated Electric & Gas Insurance Services Ltd (AEGIS)	9,546,066
Assurances Generales de France IART	-1,014
Atain Specialty Insurance Co	99,385

Continued

Atlantic Casualty Insurance Co	1,617,960
AXA Corporate Solutions Assurance	147,314
Axis Specialty Europe LTD	2,020,287
AXIS Specialty Insurance Co	-11,591
Axis Specialty Ltd	-80,528
AXIS Surplus Insurance Co	19,584,592
Berkley Assurance Co	217,051
Berkley Regional Specialty Insurance Co	167,032
Berkshire Hathaway International Insurance Limited	265,472
Bryanston Insurance Co Ltd	-3,030,518
Burlington Insurance Company	4,856,905
Canal Indemnity Co	8,622
Capitol Specialty Insurance Corp	1,846,549
Catlin Insurance Co Ltd	1,245,169
Catlin Insurance Company (UK) Ltd	1,298,670
Catlin Specialty Insurance Co	10,049,606
Centre Reinsurance (US) Ltd	2,500
Century Surety Co	3,866,151
Chartis Excess Ltd	251,250
Chartis Insurance UK Ltd	307,470
Chartis Seguros Mexico SA de CV	2,690
Chartis Select Insurance Co	1,271,541
Chartis Specialty Insurance Co	4,489,174
Chubb Atlantic Indemnity Ltd	232,436
Chubb Custom Insurance Co	14,756,899
Cincinnati Specialty Underwriters Co	5,096,738
Clarendon America Insurance Co	24,600
CNA Insurance Company Limited	481,829
Colony Insurance Co	6,772,646
Columbia Casualty Company	32,227,374
Commonwealth Insurance Co	1,769,166
Companion Specialty Insurance Co	1,148,058
Continental American Insurance Co	4,743
Crum & Forster Specialty Insurance Co	4,431,678
Dakota Fire Insurance Co	269,495
Darwin Select Insurance Co	15,205,113
Discover Specialty Insurance Company	1,109
Empire Indemnity Insurance Co	349,236
Endurance American Specialty Insurance Co	13,520,765
Endurance Specialty Insurance Ltd	681,907
Energy Insurance Mutual Ltd	2,106,099
Essex Insurance Co	23,457,485
Everest Indemnity Insurance Co	2,269,471
Executive Risk Specialty Insurance Co	1,157,012
Fireman's Fund Insurance Co Of Ohio	1,053,643
First Mercury Insurance Company	5,894,374
First Specialty Insurance Corporation	5,143,556

Continued

First State Insurance Co	16,324
Gemini Insurance Co	6,527,524
General Security Indemnity Co of Arizona	3,887,591
General Star Indemnity Co	3,482,027
Genesis Indemnity Insurance Co	8,902
GeoVera Specialty Insurance Co	80,351
Gerling-Konzern Allgemeine Versicherungs-Aktiengesellschaft	34,313
Global Aerospace Inc	306,079
Global Indemnity Assurance Co	1,353,279
GNV Custom Insurance Company	143,157
Gotham Insurance Co	804,111
Great American E&S Insurance Co	9,975,409
Great American Fidelity Insurance Co	91,883
Great Lakes Reinsurance UK plc	9,926,811
Grupo Nacional Provincial SA	145,802
Hallmark Specialty Insurance Company	755,439
HCC Specialty Insurance Company	905,073
HDI Industrie Versicherung AG	89
HDI Seguros SA de CV	3,429
Hermitage Insurance Co	93,121
Hiscox Specialty Insurance Company Inc	5,152
Homeland Insurance Co of NY	9,439,137
Houston Casualty Co	10,755,198
Houston Specialty Insurance Co	83,353
Hudson Specialty Insurance Co	6,036,620
Illinois Union Insurance Co	18,351,697
Indian Harbor Insurance Co	18,089,782
Infrassure Ltd	346,357
Ingalls Casualty Insurance Ltd	1,717,836
International Insurance Co of Hannover Ltd	2,094,788
Interstate Fire & Casualty Company	9,379,948
Ironshore Insurance Ltd	1,929,443
Ironshore Specialty Insurance Co	32,714,397
James River Insurance Co	4,213,982
Kinsale Insurance Co	1,054,406
Lancashire Insurance Co (UK) Ltd	759,009
Lancashire Insurance Co Ltd	90,155
Landmark American Insurance Co	9,806,968
Landmark Insurance Co	26,558
Lantana Insurance LTD	304,816
Lexington Insurance Co	241,271,168
Liberty International Insurance Co Ltd	277,189
Liberty Mutual Insurance Europe Ltd	4,001,859
Liberty Surplus Insurance Corp	11,079,964
Lloyd's of London	118,884,568
London & Edinburgh Insurance Co Ltd	-1,200
Maiden Specialty Insurance Co	2,647,814

Continued

Mapfre Empresas SA	79,560
Mapfre Tepeyac SA	239,402
The Marine Insurance Co Ltd	7,928
Markel International Insurance Co Ltd	600,682
Maxum Indemnity Co	3,015,032
Merchants National Insurance Co	105,841
Mesa Underwriters Specialty Insurance Company	522,140
Mitsui Sumitomo Ins Co (Europe) Ltd	54,577
Montpelier Reinsurance Ltd	14,705
Mount Vernon Fire Insurance Co	3,491,088
MSA Insurance Co	2,143
Mt Hawley Insurance Company	4,985,060
Munchener Ruckversicherungs Gesellschaft	1,598
NAMIC Insurance Co Inc	855,439
National Fire & Marine Insurance Co	5,928,094
National Guaranty Insurance Company of Vermont	462,452
Nautilus Insurance Co	23,521,618
Navigators Specialty Insurance Company	7,860,741
Navillus Insurance Co LTD	3,345
NCH Casualty Insurance SPC Ltd	2,247,922
New Zealand Insurance Co Ltd	1,720
Noetic Specialty Insurance Co	893,392
North American Capacity Insurance Co	3,710,019
North East Insurance Co	3,773
Northfield Insurance Co	2,754,888
Nutmeg Insurance Co	59,820
Omega US Insurance Inc	461,408
Pacific Insurance Co Ltd	2,366,316
Partner Reinsurance Europe Limited	0
PartnerRe Ireland Insurance Ltd	70,001
Penn-Star Insurance Co	1,433,130
Philadelphia Insurance Co	262,978
Prime Insurance Co	531,723
Princeton Excess and Surplus Lines Insurance Co	4,934,099
ProAssurance Specialty Insurance Co Inc	1,403,681
Professional Underwriters Liability Insurance Co	367,037
Protective Specialty Insurance Co	11,014
The Prudential Assurance Co Ltd	2,670
QBE Insurance (Europe) Ltd	3,623
QBE Specialty Insurance Co	1,628,211
Qualitas Compania de Seguros SA de CV	27,614
Republic - Vanguard Insurance Co	51,499
Rockhill Insurance Co	2,031,546
Royal & Sun Alliance Insurance plc	29,698
Safeco Surplus Lines Insurance Co	0
Saint Paul Surplus Lines Insurance Co	1,672,754
SCOR UK Company Ltd	76,335

Continued

Scottish Lion Insurance Co Ltd	14,799
Scottsdale Insurance Co	26,358,167
Seguros Comercial America SA de CV	1,254
Seneca Specialty Insurance Co	1,144,902
Sirius International Insurance Corp	125,974
Sovereign Marine & General Insurance Co Ltd	2,209
St Paul Travelers Casualty and Surety Company of Europe Limited	126,193
Starr Surplus Lines Insurance Co	3,947,848
Steadfast Insurance Co	29,069,867
Swiss Re International SE	15,460,851
Swiss Re Specialty Insurance (UK) Ltd	180,795
Tokio Marine & Nichido Fire Ins Co Ltd	44,640
Tokio Marine Europe Insurance Limited	58,263
Topa Insurance Co	34,091
Torus Insurance (Bermuda) Ltd	2,347,101
Torus Insurance (UK) Limited	937,098
Torus Specialty Insurance Co	4,946,244
Travelers Excess & Surplus Lines Co	2,987,721
TT Club Mutual Insurance Ltd	398,143
Tudor Insurance Co	658,356
United National Insurance Co	2,703,122
United Specialty Insurance Co	724,301
US Underwriters Insurance Co	83,923
USF Insurance Co	1,061,357
Voyager Indemnity Insurance Co	3,108
Wasa International (UK) Insurance Co Ltd	500
Westchester Surplus Lines Ins Co	7,625,715
Western Heritage Insurance Co	589,559
Western World Insurance Co Inc	5,167,948
Wilshire Insurance Co	7,341
Winterthur Swiss Insurance Co	23,625
XL Europe Ltd	84,410
XL Insurance (Bermuda) Ltd	1,016,278
XL Insurance Co Ltd	2,654,311
XL Select Insurance Co	2,425,920
Zurich Insurance Company Ltd	289,998
Zurich Specialties (London) Ltd	45,000
2011 Premium Total	\$ 1,004,600,363

Ineligible Companies

Pursuant to Section 445 (g) of the Illinois Insurance Code, (Chapter 73, Paragraph 1024) the following companies are not to be used:

Name of Company	Bulletin #	Ineligible Date
Alpine Assurance Limited	9	03/16/92
American Marine and General Ins. Co., Ltd.	26	08/02/88
American National Surety Insurance Company	109	09/09/93
American Trust Insurance Company, Ltd.	22	03/01/88
Removed from list:	22	10/31/88
Became Ineligible again:	45	01/08/90
Anatole Insurance Company, Ltd.	33	06/02/89
Anglo-American Insurance Company (Louisiana)	15	02/18/87
APEX Placement Insurance Company, Ltd.	62	04/29/91
Atlantic & Pacific International Assurance Co., Inc.	96	05/27/92
Atlas Indemnity and Insurance Company, Ltd.	82	12/03/91
Avalon Insurance Company, Ltd.	99	09/09/92
Beacon Insurance Company (Rehabilitation)	-	07/18/86
Bel-Aire Insurance Company	52	03/19/90
Brighton Insurance, Ltd.	27	08/31/88
British American Professional Liab. Ins. Co.	20	08/05/87
Casualty Assurance Risk Ins. Brokerage Co.	18	07/30/87
Central Insurance Company, Ltd.	53	03/22/90
Chancellor Insurance Company Limited	100	11/23/92
Colorado Western Insurance Company	116	04/07/04
Commercial General Insurance Company (Wyoming)	35	09/05/89
Commercial Indemnity and Assurance Company	104	07/08/93
Commercial Inland & Marine Indemnity Co., Ltd.	23	03/21/88
Commonwealth United Insurance Company	76	10/01/91
Continental Fire and Casualty Ind. Co., Ltd.	37	10/03/89
Desert Insurance Company, Ltd.	See Walbrook -- #55	
Dual Plus Insurance Company, Ltd.	70	08/12/91
Dyna Span Corporation	5	04/07/86
El Paso Insurance Company, Ltd.	See Walbrook -- #55	
Euro-American Insurance Company, Ltd.	43	11/16/89
Euro-Ichiban Reinsurance Corporation, Ltd.	83	12/06/91
Euro Reinsurance Company, Limited	54	03/22/90
Excess Re-Insurance Underwriters, Ltd.	49	02/22/90
Families United For Life Insurance Company Limited	111	02/23/96
Fidelity & Casualty Co., Ltd. (Turks & Caicos)	8	05/01/86
Fiduciary Indemnity Assurance Group, Ltd.	39	10/03/89
Fielding Reinsurance, Ltd.	6	05/01/86
Financial Services Insurance Ltd.	103	04/02/93
Firestone Insurance Company, Ltd.	51	02/22/90
First Assurance & Casualty Company, Ltd.	77	10/07/91
First Indemnity, Ltd.	67	07/25/91

Continued

First Interstate Fire and Casualty Company, Inc.	80	11/06/91
First Reinsurance, Ltd.	68	07/25/91
Freedom Insurance Company, Ltd.	85	12/09/91
Frontline Insurance Company	73	08/28/91
General Insurance Corporation of India	114	04/29/98
General Star Indemnity Company (RESCINDED 1/22/99)	115	01/13/99
Global Insurance Company S.A	79	10/28/91
Greater Indemnity Insurance Company dba: Great American Casualty or Great American Casualty Insurance Co. Ltd.; or Greater Indemnity & Casualty Co., Ltd.	105	08/06/93
Heartland Casualty Company	32	06/02/89
Individual Surety, Inc.	98	08/18/92
Innkeepers Indemnity Underwriters, Inc.	40	10/03/89
Insurance Corporation of America	28	09/14/88
Insurance Exchange of the Americas (The Florida Insurance Exchange)	14	01/17/87
Integral Insurance Company	60	04/24/91
International Bahamian Insurance Company, Ltd.	1	10/24/85
International E & S Carrier, Ltd.	69	08/12/91
Intrepid Insurance Company	61	04/29/91
Intrepid Reinsurance Group, Ltd.	94	04/23/92
Island Group, Ltd.	9	08/15/86
Jayhawk Insurance Company, Ltd. (Turks & Caicos)	7	05/01/86
Keyes International Insurance Co., Ltd.	112	06/27/96
Kingscroft Insurance Co., Ltd.	See Walbrook -- #55	
Knightsbridge Insurance Company, Ltd.	66	07/25/91
La Fenix Boliviana S.A. De Seguros Y Reaseguros or La Fenix Boliviana Insurance & Reinsurance	110	01/14/94
Lime Street Insurance Co., Ltd.	See Walbrook -- #55	
Lloyds U.S., (Dallas, Texas)	10	08/27/86
London Guarantee & Accident Company, Ltd.	16	03/09/87
London United Reinsurance Co. (Bermuda), Ltd.	See Walbrook -- #55	
Macal International, Limited Ins. Co.	12	02/05/87
Meadowlark Insurance Company	46	02/14/90
Metropolitana Compania de Seguros, S.A.(RESCINDED)	113	05/01/97
Mutual Insurance Company, Ltd.	See Walbrook -- #55	
National Warranty Insurance Company	3	02/07/86
New England International Surety Co., Inc.	4	03/19/86
New England International Surety of America, Inc.	30	12/30/88
New World Financial Trading & Re-Ins. Corp.	19	07/30/87
North American Fire & Casualty Co., Ltd.	17	07/01/87
North American Indemnity Company	21	08/05/87
North American Insurance Company	11	09/23/86
Northern Commercial Fire & General Insurance Co.	75	08/30/91
Northwestern Insurance Company, Ltd.	89	03/03/92
Old American Insurance Company, Limited	25	08/02/88
Old Hickory Casualty Insurance Company	72	08/27/91
The Olympian Insurance Company	106	08/26/93
Oxford Indemnity Insurance Company	44	12/20/89
Pacific Fire & Marine Insurance Company, Ltd.	48	02/22/90

Continued

Pacific International Indemnity Company, Ltd.	95	05/27/92
Palisades National Insurance Company, Ltd.	50	02/22/90
Paradigm Insurance Company (RESCINDED)	24	07/07/88
Payless Insurance Company, Ltd.	47	02/22/90
Pendleton Insurance Company Limited	63	07/17/91
Philadelphia Reinsurance Limited	71	08/15/91
Polaris Insurance Company, Ltd.	59	04/11/91
Premier Assurance & Cas., Ltd. (Turks & Caicos)	42	10/27/89
Premier Assurance Casualty Company, Inc.	56	04/06/90
Presidential Fire & Casualty Company	65	07/23/91
P.R.I.M.E. Company, Ltd.	2	10/24/85
PRIME-PI Omega Delta, Ltd.	38	10/03/89
Professional Prototype I Insurance Company Limited	90	03/03/92
Removed from list	90	09/04/92
Promed International, Ltd.	92	03/26/92
Qatar General Insurance & Reinsurance Co. (S.A.Q.) Doha - Qatar (RESCINDED 3/22/94)	107	09/01/93
Red Sea Group LTD	97	08/18/92
Redwood Insurance Company, Ltd.	86	12/26/91
Regency Insurance Company Limited (RESCINDED) per Stipulation & Consent order 4/21/93		03/05/93
Regency will do no business in IL	101	
Savoy Reinsurance Company, Ltd.	31	03/14/89
Scottish Guarantee Insurance Company, Ltd.	87	12/26/91
Southeastern Reinsurance Company (Florida)	34	09/05/89
Southern American Insurance Company	93	03/30/92
Southwestern Indemnity & Casualty Ins. Co.	57	11/30/90
Southwest Fire & Casualty Insurance Company	81	11/18/91
St. Louis Fire & Marine Co., Ltd.	102	03/05/93
Standard Indemnity Company, Ltd.	64	05/07/91
Sterling Marine Casualty and Indemnity Insurance Company, Ltd. a/k/a Sterling Insurance Corporation, Ltd.	84	12/06/91
Sterling Reinsurance Corporation Limited	88	01/28/92
Tri-Hedron International Assurance, Ltd.	13	02/06/87
Unified Assurance & Casualty, Ltd.	41	10/27/89
Union Pacific Fire and Marine Ins. Co., Ltd.	36	10/03/89
Usher Insurance Company, Ltd.	78	10/23/91
Victoria Insurance Co., Ltd.	29	10/05/88
Walbrook Insurance Company, Limited	55	04/03/90
And its subsidiaries:		
Desert Insurance Company, Ltd.		
El Paso Insurance Company, Ltd.		
London United Reinsurance Co. (Bermuda), Ltd.		
Kingscroft Insurance Co., Ltd.		
Lime Street Insurance Co., Ltd.		
Mutual Insurance Co., Ltd.		
West Point Insurance Company, Ltd.	74	08/28/91
Western Star Insurance Company, Ltd.	108	09/08/93
Winston Hill Assurance Company, Ltd.	58	01/01/91

Lines of Authority

The classes and clauses in Section 4 of the Illinois Insurance Code (215 ILCS 5/4) are defined as:

Class 1. Life, Accident and Health

- Clauses: (a) Life
(b) Accident and Health
(c) Legal Expense Insurance

Class 2. Casualty, Fidelity and Surety

- Clauses: (a) Accident and Health
(b) Vehicle
(c) Liability
(d) Workers Compensation
(e) Burglary and Forgery
(f) Glass
(g) Fidelity and Surety
(h) Miscellaneous
(i) Other Casualty Risks
(j) Contingent Losses
(k) Livestock and Domestic Animals
(l) Legal Expense Insurance

Class 3. Fire and Marine, etc.

- Clauses: (a) Fire
(b) Elements
(c) War, Riot and Explosion
(d) Marine and Transportation
(e) Vehicle
(f) Property Damage, Sprinkler Leakage and Crop
(g) Other Fire and Marine Risks
(h) Contingent Losses
(i) Legal Expense Insurance

Lists of Illinois licensed companies with the lines of authority as of December 31, 2011, are available on the Department website at http://insurance.illinois.gov/Reports/Report_Links.asp.

Summary of Annual Statements

On or before March 1 of each year, Illinois law requires that all companies, except farm mutuals, authorized to transact the business of insurance in this state file, under oath, an annual statement covering the preceding year ending December 31. Farm mutual insurance companies are required by law to file an annual statement, under oath, on or before January 31 of each year, covering the preceding year ending December 31.

The Summaries of the financial information contained in these annual statements for the year ending December 31, 2011, are available on the Department website at http://insurance.illinois.gov/Reports/Report_Links.asp. The Department of Insurance has not verified this data and does not guarantee its accuracy.

Farm Mutual Insurance Companies

County Mutual Fire Insurance Companies
Special Act Company
Recapitulation

Property & Casualty Insurance Companies

Domestic Stock Companies
Domestic Mutual Companies
Domestic Risk Retention Group
Domestic Surplus Lines Companies
Domestic Inter-Insurance Exchanges
Domestic Mutual Holding Company
Foreign Stock Companies
Foreign Mutual Companies
Foreign Inter-Insurance Exchanges
Foreign Accredited Reinsurers
Alien Stock Companies
Alien Lloyds
Alien Accredited Reinsurers
Recapitulation

Life & Health Insurance Companies

Domestic Legal Reserve Life Companies
Foreign Legal Reserve Life Companies
Alien Legal Reserve Life Companies
Domestic Fraternal Benefit Societies
Foreign Fraternal Benefit Societies
Alien Fraternal Benefit Society
Assessment Company
Burial Society
Domestic Health Maintenance Organizations
Foreign Health Maintenance Organizations
Voluntary Service Plans
Dental Service Plan
Domestic Limited Health Service Organizations
Foreign Limited Health Service Organizations
Foreign Accredited Reinsurers
Mutual Holding Companies
Recapitulation

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